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ABSTRACT

This teacher's guide is a companion to "Small Business Management Part I" published by the New York State Education Department in 1968. The course outlined by the guide is primarily for those who aspire to own and operate their own business, and those in business who wish to improve their operations. The course consists of six lessons covering such topics as budgeting, expense control, and profit planning; taxation and government regulations; business insurance; employee and public relations; store location and layout; and sources of assistance and information. The guide is suggestive only. Adaptations can and should be easily developed by the instructor or school district engaged in teaching a similar course. (PT)

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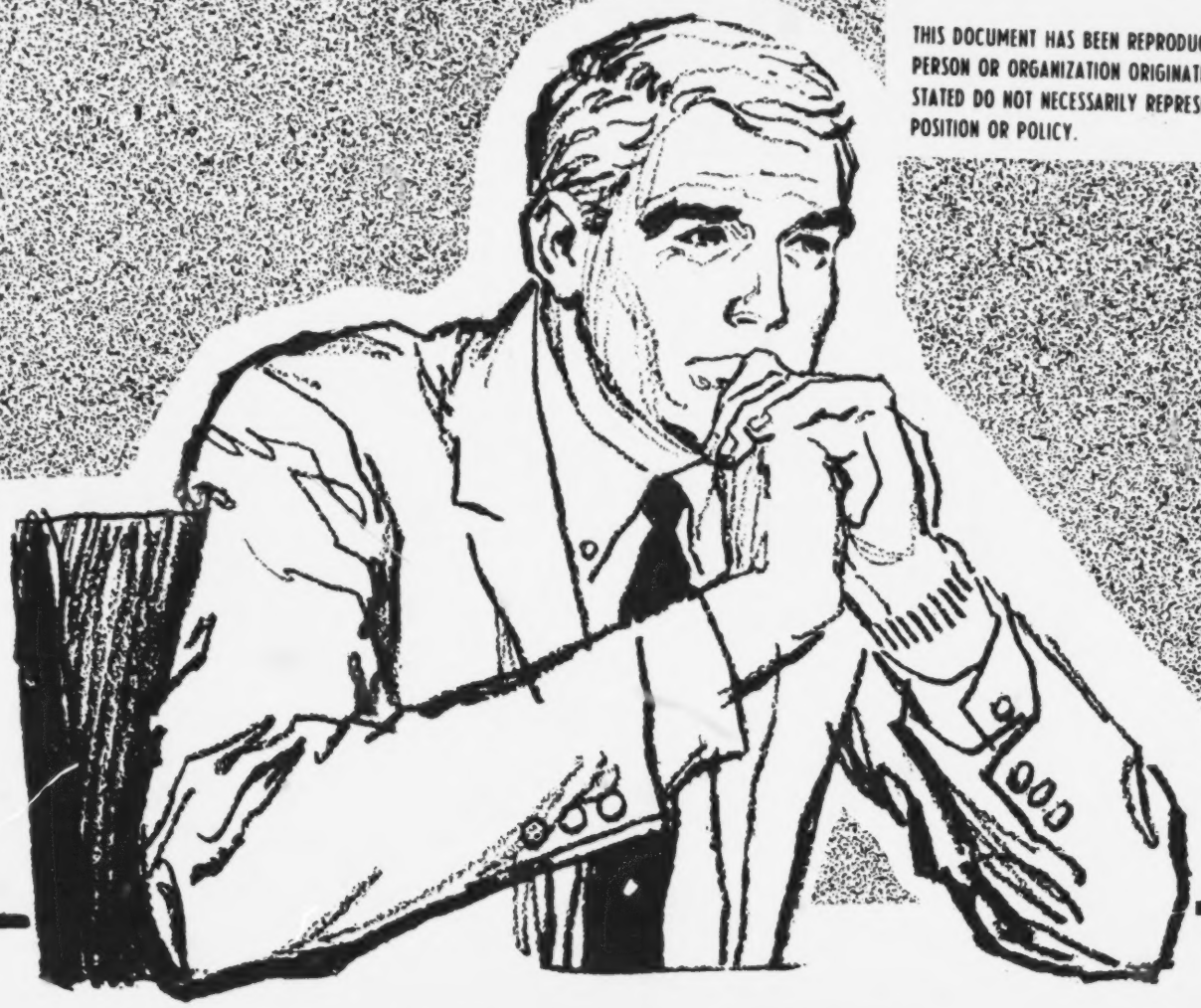

SMALL BUSINESS MANAGEMENT

PART II

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Bureau of Continuing Education Curriculum Development
Albany, New York 12224
1970

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SMALL BUSINESS MANAGEMENT

PART II

A Suggested Adult Course Outline

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Bureau of Continuing Education Curriculum Development
Albany, New York 12224
1970

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FOREWORD

This teacher's guide, *Small Business Management, Part II,* is a companion to *Small Business Management, Part I,* published by the New York State Education Department in 1968. Both parts were planned together at meetings of an advisory committee consisting of: F. Bennett Cody, Vice-president and Treasurer of Luckey Platt & Company, Poughkeepsie; James Hardy, Regional Supervisor, New York State Department of Commerce, Kingston; Professor Charles J. Kappler, Adirondack Community College, **Glens** Falls; Jules Mirel, Director of Continuing Education, Pratt Institute, Brooklyn; and Charles M. Spano, General Business and Industrial Specialist, U.S. Small Business Administration, New York.

The Education Department was represented on the committee by Professor E. John Gradoni, Chairman of Business Technologies, State University Agricultural and Technical College at Alfred; (At the time of the committee meetings he was Supervisor, Bureau of Business and Distributive Education.) John Brophy, Associate, Bureau of Distributive Education; Mrs. Vivienne Anderson, Director, Division of the Humanities and the Arts (who was then Chief of the Bureau of Continuing Education Curriculum Development); and E. Noah Gould, Associate, Bureau of Continuing Education Curriculum Development.

In Part II, Lessons 7, 9, and 10 were written by Mr. Mirel; Lessons 8, 11, and 12 by Professor Kappler. All lessons were then revised by Mr. Mirel and written in the same style. Mr. Gould guided the development and writing of this guide, and did the final editing. Mr. Brophy reviewed the final manuscript before publication.

The Bureau of Continuing Education Curriculum Development gratefully acknowledges the contributions made by all the people mentioned above. This **Bureau** welcomes suggestions and comments, particularly those based on the use of this guide.

HERBERT BOTHAMLEY, *Chief*
Bureau of Continuing Education
Curriculum Development

WILLIAM E. YOUNG, *Director*
Curriculum Development Center

MESSAGE TO THE INSTRUCTOR

This course is intended primarily for those who aspire to own and operate their own business, and those in business who wish to improve their operations. Generally, each lesson is taught by a separate instructor--one who is well qualified in a particular subject either by virtue of training and work experience, or by experience in teaching the subject.

The New York State Department of Commerce, either when contacted directly or through the Bureau of Business and Distributive Education, New York State Education Department, will select instructors for the classes and provide them with teaching materials and information about the business activity of the community in which the class is being held. The Department of Commerce will also provide a kit of instructional materials for each member of the class and, if the school district wishes, a certificate of completion for each student who completes the course.

This guide is suggestive only--adaptations can easily be developed. Any school district offering such a course is free to determine the number of sessions in the course and the length of each session. However, five evening sessions, each 2 hours long, has been found to work satisfactorily.

It is hoped that the instructor will find many of the teaching suggestions in this guide helpful. He will also very likely try his own teaching techniques and others from various sources.

HOBART H. CONOVER, *Chief*
Bureau of Business and
Distributive Education

JOHN E. WHITCRAFT, *Director*
Division of Occupational Education

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A MEETING OF THE SMALL BUSINESS MANAGEMENT ADVISORY COMMITTEE

A department store vice-president, a professor of business, the president of an advertising agency, and representatives of the State Department of Commerce and the U.S. Small Business Administration meet with representatives of the State Education Department to plan the teacher's guide.

1

BUDGETING, EXPENSE CONTROL, AND PROFIT PLANNING

COURSE CONTENT	TEACHING SUGGESTIONS

BUDGETING

Pity the poor young bride who finds one day to her dismay, that her married life is financially a disaster.

She doesn't have the money for the rent, her food larder runs short, the electric and gas companies threaten to cut off services, and the telephone business office calls to say that unless they have a check soon, there will be no outside line to the world.

When the young husband returns that evening, he finds his bride crumpled in bed, crying over the mess she has gotten herself into.

If the young man is wise, and wants his marriage to succeed, he will immediately begin to teach her how to budget their finances.

"Look," he will say to her, "my salary is $100 per week. That means $400 per month. Let's take the $400 and budget it for what we need."

After a few nights of working out their finances, they end up with a budget that runs like this:

Rent	$95.00
Food	80.00
Telephone	20.00
Electricity and Gas	25.00
Medical and Insurance	25.00
Clothes	25.00
Recreation	24.00
Savings	20.00

Obviously, you are now involved in a very difficult area, one which you must make every effort to teach tactfully but firmly.

In actuality, you are trying to teach a course in business theory to people who may never have heard of it in this particular frame of reference.

What you must do is teach it to them without making it appear too ponderous, and without being pompous and overbearing.

Approach it with a free and easy manner but at the same time, keep your goals clearly in mind.

In taking simple examples from the lives of your students, you will be setting the stage for the business theory you must teach.

COURSE CONTENT	TEACHING SUGGESTIONS
Automobile.....$56.00 Miscellaneous..... .....30.00 TOTAL BUDGETED EXPENSE.....$400.00	
He will then work patiently with his bride--a few months perhaps--until her financial problems are straightened out.	*In working out the bride's budget, you can get the class involved by having them describe financial problems they had at the beginning of their own married lives. You should get quite a bit of laughter out of this--and more important*--active classroom participation.
He will point out to her that the budget will need adjustments from time to time. For example, if he earns more money; or, on the other hand, if he is unemployed for a while.	
But basically, he will tell her that they will have to work within their budget and ride herd on themselves not to overstep the boundaries they have set.	*It cannot be stressed often enough that active classroom participation is most important. "If you don't reach 'em, you can't teach 'em." Keep this rule firmly in mind. You must create rapport between yourself and your pupils. This is the single most important thing you must DO to get your ideas over.*
Now, apply the same thing to your business.	
You must sit down and figure out a sensible working budget so that you can keep within the bounds of good economy.	
If you remember, the whole point of this series of lessons, and the point of spending time in the classroom, is to learn how to *MAKE A PROFIT IN BUSINESS*.	
Budgeting wisely and accurately is the beginning of making a profit.	
If you have an accountant, work with him. If your wife is good at budgets and she is in business with you, work with her.	*In dealing with a small businessman, when you get to the income and outgo figures, you've got problems.*
BUT, if you own a small business with yourself as the executive head, you will have to sit down and plan it yourself.	*You must be very patient.*
Here is how you do it:	*There are two basic concepts you must teach:* ONE: *You must work on the blackboard, showing your*

COURSE CONTENT	TEACHING SUGGESTIONS
	class how to break down each of their expense items. Ask your class to add to the basic list shown in this lesson.
A. First, you divide the year into 12 months, setting aside a large sheet for each month. Then, divide each month into weeks, by the calendar, including every working day in that month. (See the chart on the next page.)	*Draw them out and encourage them to express themselves in describing their expenses.*
	They will help each other to remember important points.
Thus, if the month you are working on is May, you must put a cross through May 30, a legal holiday. This indicates that May 30 is not a working day. Sundays are out, too, and if you are on a 5-day week, cross out Saturday also.	TWO: *Very patiently, at the risk of being redundant, you must explain the difference between GROSS profit and NET profit.*
	To a small businessman this is an occult science.
B. Second, on top of that page, write: *ESTIMATED TOTAL GROSS INCOME FOR MAY 197X*	*BUT, unless they understand it clearly, the whole point of the lesson will be lost.*
Now, take out your records of last year.	*You must explain depreciation and other hidden factors so they understand their* TOTAL *expense figures.*
Fill in an estimated gross income figure for every working day, Monday through Saturday (or through Friday if you are on a 5-day week).	*Unless you do, they will not get a clear picture of their problem.*
Then total that income figure for the month.	*This calls for endless patience on your part.*
Let us say the total gross income is $7000.00 for the month of May.	DON'T GIVE UP!
Now let us assume that you make a gross profit of 40 percent (that is, your average markup is 40 cents on a $1 item).	*One of the big problems you face in this lesson is that there are no pat formulas you can follow.*
Now, how much does it cost you to run your business for May?	*You can tell your students that Proper Budgeting and Expense Control plus Profit Planning equal M-O-N-E-Y. You can even reduce it to a formula:*
Let us say your expenses run like this:	*PB + EC + PP = M.*

Salaries	$ 800.00
Taxes (prorated for the month)	126.00
Telephone, Gas, Electric	99.00
Postage	54.00
Accountant & Other Fees	75.00
Rent	200.00

ESTIMATED TOTAL GROSS INCOME FOR MAY 197X

SUNDAY	MON.	TUES.	WED.	THUR.	FRI.	SATURDAY
1	2 345	3 256	4 128	5 252	6 358 SUB TOT. 1339	7
8	9 487	10 521	11 622	12 843	13 844 SUB TOT . 3317	14
15	16 211	17 216	18 322	19 211	20 487 SUB TOT. 1447	21
22	23 93	24 81	25 71	26 65	27 102 SUB TOT. 412	28
29	30 MEMORIAL DAY	31 485			SUB TOT. 485	

GRAND TOTAL $7000.

TOTAL GROSS (VOLUME) times MARKUP equals TOTAL NET INCOME

$7000. X .40 = $2800.

TOTAL NET INCOME minus TOTAL EXPENSES equals PROFIT

$2800. — $2660 $140

COURSE CONTENT	TEACHING SUGGESTIONS
Markdowns.....$ 138.00 Bad Debts..... 56.00 Insurance & Depreciation.....112.00 Accounts Payable.....1000.00 TOTAL.....$2660.00 Now take your figure of TOTAL NET INCOME.....$2800.00 Subtract TOTAL EXPENSES.....$2660.00 Your NET PROFIT FOR THE MONTH IS $140.00	*Sometimes a mnemonic device like this helps.* *But you cannot teach a mathematical formula explaining budgeting and expense control as a pat issue.*
But you cannot take that $140 and go on a wild spending spree.	*One reason is that every businessman thinks his business is a little different--and every businessman is an individual with his own way of looking at things.*
You must reinvest it in stock in your business, in advertising for your firm, in new typewriters and adding machines, in a new paint job for your place of business, or as reserve against a bad month like August, when you will be running a deficit.	*But what you can do is to show the common problems in every business, and that there is a good, commonsense, business-like approach to those problems.*
So you see, budget planning and understanding your monthly income and outgo are basic in evaluating your business.	
Now that you have planned it for one month, you must continue on ahead and plan it for twelve months, for the entire year.	*The most important thing, and we cannot overstress this point is class participation.*
You take each month separately and go over all the figures we have discussed.	*In discussing the problem of budgeting and expense control, ask each of your students to add a thought of his own, based on his own experience.*
If your figures are not exactly right in attempting to forecast the year coming up, then make an educated guess.	
It is better to have some figures that you guess at, even if they are inaccurate, than to have no figures. *IF YOU HAVE NO FIGURES TO SHOOT AT, YOU ARE LIKE A CAR WITHOUT A DRIVER, HEADING NOWHERE.*	*For example: Suppose you have a small food retailer in the class. Ask him how he budgets for spoilage. It might even come as a surprise to him that spoilage should be budgeted. He also might explain his method, and this could be*
You are bound to find some months more profitable than others.	

For example, if you are in a general retail operation you will find December and April excellent months, while August and January will be poor months.

If you are in a service business, (such as a travel agency) you may find December, January, and February hectic, profit-making months, while August and September may be poor months.

If you are in the air-conditioning business, you may find June, July, and August peak profit months, while the rest of the year may be very inactive.

So you must lay out for yourself a 12-month picture, with the good months balancing out the poor months.

Now, like the young bride after her husband has helped her budget expenses, you are in a position to understand your business pattern.

However, you have one disadvantage the young bride does not have--the severe fluctuation of the business cycle. There are some months of feast, some of famine. The best business analysts in the country are as mystified as the rest of us when these swings occur.

BUT--and this is the amazing thing--a meaningful pattern DOES show up in the long run.

It is this pattern that is so important for the man who is sincerely interested in developing his business profitably.

Once you have the yearly pattern, try to plan ahead for five years.

It is not easy, and much will be pure guesswork. But even the giant automobile companies plan their cars three years ahead. And these giants too, with all their brilliant high-priced executives, have to guess.

illuminating to others. It may also be a chance to point out any flaws in his method.

Another good teaching device is to write a title on the blackboard, such as this:

EXPENSE CONTROL ITEMS
I COULD HAVE WATCHED
MORE CAREFULLY LAST YEAR

Then have each student in the class come to the board and write down one item, however insignificant.

Some obvious ones:

1. Long distance phone calls when letters could have served just as well

2. Improper use of packing and wrapping material

3. Wasteful use of pencils and typing paper

4. Not converting outdated forms or papers for use as scratch pads

This list will be added to by all your students. It is very important that you evoke from your class these sentiments and their own awareness of the problem.

In one class, a much embarrassed student wrote: "Too much bathroom materials," and everyone laughed.

But the instructor was smart enough to make the student explain.

COURSE CONTENT	TEACHING SUGGESTIONS
Large department stores work five years ahead and so does the United States Budget Bureau. So you're in good company.	*He said he ran a small luncheonette frequented by a high-school crowd. The kids would often throw paper, soap, and towels around the bathroom, creating a mess.* *He finally solved his problem by locking the bathroom door and keeping the key next to the cash register. Kids who had to use the bathroom had to ask him for the key.* *Not only did this save him money, but he reported it evoked more respect from the kids!*

EXPENSE CONTROL--THE BUGABOO

Let us return for a moment to the young bride with whom we began this lesson. There is no question that her major sin was overspending, in one or more areas. She spent more money than she should have on her food, or perhaps on her telephone. Here is where her husband had to be stern with her. He explained that *NO MATTER WHAT THE EXCUSE*, you may not spend more than the allotted amount in one category in one month. It is easy to say that she is "borrowing" it from next month and she will return it. *BUT IT NEVER WORKS OUT THAT WAY.* Now, back to our business problem. *EXPENSE CONTROL* is a nasty phrase. If, for example, you own a small business employing two or three people, you have to maintain good relations with them because you work with them every day.	*One of the best ways to teach expense control vividly is to hunt up an old-fashioned scale which uses counterweights.* *On one side put a large weight and label it* PROFIT. *On the other side, have a series of small weights and label them* EXPENSES. *Then have a student come to the front of the class and put one small* EXPENSE *on the top of the other, slowly and one-by-one, until the expense weights counterbalance the* PROFIT *weight.* *This graphic representation will do a great deal to illustrate in concrete terms the importance of* EXPENSES.

COURSE CONTENT

Now, suppose your employees use the phone to make personal calls. This is a common occurrence in most businesses.

If you are budgeted for $65 a month for your telephone bills, this can be easily eaten up by unlimited use of the business phone for personal calls.

The telephone company has made it easy to pick up the phone and call anyone, anywhere.

You can't stand over the phone and police it all day long. Your time is too valuable. And yet, if you leave the phone easily accessible, your monthly phone bill can destroy your budget and erode your profit.

The same is true of postage, whether you have a meter or use stamps.

Being a good guy has ruined many a small businessman. You must be a Simon Legree. You must explain to your employees that as much as you *PERSONALLY* would like to extend the phone privilege to all, the *BUSINESS* does not have any provision for unlimited, non-business calls.

BUT that is not enough. You must police it very strongly.

Some firms have solved it by putting in a pay phone booth. It sounds extreme and penny-pinching, but it works.

Some firms go over their monthly phone bills with their employees at the end of each month and charge each person with the calls that he or she has made.

This **is** not such a good idea because it generates friction between employer and employee and it is *AFTER THE FACT*.

The other way, you have stopped the trouble at the source, and having faced the problem squarely and honestly you are much better off in every way.

TEACHING SUGGESTIONS

Another good way is to get a small ladder. Set the ladder in front of the class and get a very heavy weight.

Have a strong man in the class raise the heavy weight step-by-step up the ladder. This is the PROFIT, *and it is very hard to haul that weight up each stair. It is very hard to make a profit.*

Then have the weakest girl in the class come forward and give her a light weight to lower, step-by-step, on the other side of the ladder, that is, the EXPENSES *side of the ladder.*

In other words, you are trying to show graphically how hard it is to make a profit, but how very easy it is to incur expenses.

Any other ideas you may have in order to illustrate these points to your class are good.

And don't worry about it being childish.

Your job as a teacher is to SIMPLIFY. *You will find the simpler you make your examples, the better they go over.*

This is especially true with expense control as it relates to profit.

To the small businessman without experience, there seems to be a magic formula the millionaire firms have in making their huge profits.

COURSE CONTENT

However, you will find the biggest culprit is not your employees. *IT IS YOU!*

Among the hundreds of decisions you must make every day as a small businessman are those relating to spending money. And the word here is intelligent *CONTROL--EXPENSE CONTROL*.

Let's take two recent business examples to illustrate:

A. John Jones found himself at the end of the year with a good profit picture. He felt in an expansive mood and called in a store designer to renovate his store.

While John was in the midst of working on the new blueprints, his accountant dropped in for the annual audit of John's books.

Later that day, John was having lunch with his accountant, still happily excited. His accountant said to him:

"John, I may lose you as a friend and client, but I must advise you against the renovation you're contemplating."

"Why?" asked John angrily.

"Because, you have a young business and you haven't built up sufficient reserve against a bad season, or a series of bad reverses. Furthermore, the neighborhood is changing and you're not justified in investing capital in this area."

At first John was angry with his accountant. He stormed and fumed and told his wife that the accountant was just jealous of his success.

John's wife had a more objective view of his situation and she sided with the accountant.

Finally, they compromised.

John had his store repainted in smart, bright colors, from top to bottom.

TEACHING SUGGESTIONS

He does not know that they employ expense controllers and that they keep an eye out for wasteful expenditures in every department. In short, THERE IS NO MAGIC FORMULA.

In teaching this portion, besides exercising tact, you must exercise your PERSUASIVE POWERS.

Unless the student sees that his profit depends on the cost of doing business, he will never learn the basic bookkeeping theory that underlies a successful business structure.

As you know, expense control is a rather sophisticated concept. You don't just "cut" in controlling expenditures. You seek to justify the proper ones that will help the business get ahead and avoid the expensive frills.

But teaching it is not easy.

So in this segment we suggest the narrative form, which is the simplest way to get a point across.

Listed here are two stories. Use them, or use any other illustrations within your experience, to tell your classes the message of expense control.

The trick is not to scare them so that they will never go out and spend to help their business. But, instead, to question the use of their expense money and to make sure it functions

His store looked better, his business improved, and best of all, he saved thousands of dollars--which he could use as a reserve against the time he made a more permanent move.

That is why we call it *EXPENSE CONTROL*--that is, an intelligent spending of money. To eliminate costs entirely is unrealistic.

B. Another example of *EXPENSE CONTROL* involves a slightly larger business than John Jones'.

Peter Brown had started a small insurance agency, and after many years of hard work, including nighttime selling and doing without vacations, had finally built a staff of 12 salesmen and 26 office employees.

As you know, there is a great deal of computation and paperwork in insurance firms, and Peter Brown came to the conclusion that a new *COMPUTER* was the answer to his mountain of paperwork.

As a matter of fact, he had convinced himself that the most modern computer installation would automate his operation and, by eliminating employees, would pay for itself.

As he was on the verge of signing the order, a client came in to see him about an insurance problem. Peter Brown told the client about his plans.

By a lucky accident, Mr. Brown's client was a computer consultant.

He let Pete rave on about automating his business and doing away with half his employees, about pressing the right button and making everything come up roses.

When Pete was through, the computer man said to him:

"Pete, you're as wrong as wrong can be. You're going to be the sorriest man in America if you install that computer!"

properly in their businesses as leverage to earn more money.

One of the most outrageous developments of the past few years has been the selling of expensive office systems to the small and medium-sized businessman.

Recent reports in Business Week *indicate that very few firms--not even the very biggest--use their computers enough to justify the cost.*

In the case of the little men who have to watch every one of their hard-earned dollars, it is unconscionable to have them put in a position of buying unnecessary installations.

So in discussing this area, encourage your students to describe some of their own experiences.

It may help some others in the class to avoid mistakes, and above all, it will help the class see the difference between EXPENSE CONTROL AND EXPENSE CUTTING.

After all, many in your class have never had any help at all in these areas, and you must get the idea over to them again and again, until they understand it completely.

COURSE CONTENT

Pete, of course, wondered why.

"In the first place," his friend answered, "there's a saying in computer work called GIGO. It means 'Garbage In Garbage Out,' or in layman's language, if you feed nonsense into a computer, it is going to spew out nonsense.

"Now you have no one in your office trained to use that big computer you're going to buy. You'll have to hire a programmer and an analyst plus a crew of trained technicians. And they come high.

"You'll have to scrap every paper form you are now using and invest in new paper forms, which have to be processed in an entirely new way, a way your present staff is not acquainted with.

"But, most important Pete, you have built your business on a very personal basis. You've trained your staff to be friendly and courteous. It's the hallmark of your business and frankly, one of the big reasons for your success.

"If you remove the human element to the extent that you plan, you'll end up destroying the very heartbeat of your agency."

Peter Brown was not entirely stupid, and he recognized good advice when he heard it.

After further investigation, he subscribed to an outside computer service because, as his friend had explained to him, a computer is a machine, and for a machine to pay off it must be used 100 percent of the time--whereas an outside computer service required no capital investment and it was paid only when used.

AGAIN, the EXPENSE was not ELIMINATED, it was CONTROLLED.

Provided the expense is justified, it should not be eliminated--it must be controlled properly.

TEACHING SUGGESTIONS

*If you are a good teacher--and we know you are--you cannot be too easy on your students--*ESPECIALLY *in the area of* EXPENSE CONTROL. *In this part of the session, you must maintain strong control of your class, present, in other words, a firm, disciplined stand.*

We repeat for emphasis: YOU CANNOT BE EASY WITH THE STUDENTS!

Once again, take an example from their lives: Ask each student how much he or she spends--or better, BUDGETS--*for lunch each day.*

Assume you get the figure of $1. There are 50 working weeks per year, 5 days per week: a total of 250 working days, or $250 per year for lunches.

Point out that if, in a festive mood, a student spends $2 to $3 for lunch only once a week, the yearly lunch budget can be overshot by 10 to 30 percent--significant, perhaps disastrous--increases in the overall financial picture.

The same principle is true in business. If the small businessman permits himself too many festive little luxuries, the excesses will affect his entire operation.

*So--*BE STRICT! *Don't give the students even the slightest indication that they can exceed an expense budget by even one cent.*

COURSE CONTENT	TEACHING SUGGESTIONS
To go back to our young couple again--their spending money foolishly on extravagant recreation would be wrong. But to plan for a sensible recreation allowance is extremely healthy for the growth of a family.	*One effective way of dramatizing the need for expense control is to have a tug of war.*
If *EXPENSE CONTROL* is a boring, endless task, it is also a very vital one.	*Choose two evenly matched sides--three students to the side. One side will be called "expense control," the other "unnecessary spending."*
Again to make an analogy, a man on a diet has to watch every calorie he eats. If he is serious about his health, he will not let up for one instant.	*After a few tugs, add a fourth "heavy" to the unnecessary spending team. Now the spending team should win.*
The same holds true for expense control. You have to watch every item every day.	*Besides having fun and getting the class interested and participating, you will be teaching graphically a very basic, very important business lesson--a lesson your students are not likely to forget.*
Electric and telephone, wages and hours, full use of machines, a complete day's work from you yourself, careful use of interest and borrowing of money for the business, coming in early to prepare work for your help in advance, careful use of packing and wrapping supplies--the list is endless.	
And yet, if you are to succeed as a small businessman, there is no question that you must watch these details. If overlooked they can destroy your business.	
Remember the Chinese proverb: "A journey of a thousand miles begins with one step." To begin your journey to profit, make that first step now.	

SEVEN STEPS TO PROFIT PLANNING

There really are nine steps to profit-planning, the first two of which are the base.	*Please do not go on to "profit planning" until you feel you have established, as clearly as possible, the concepts of budget planning and expense control.*
These two, as you have learned, are budgeting and expense control. Without them profit planning is an empty phrase.	*Actually, you are building a pyramid, with the top of the pyramid being profit planning.*
Since we now understand that we must budget carefully, and then control our expenses like a hawk, then we may go on to the next and very important "Seven Steps to Profit Planning."	

COURSE CONTENT	TEACHING SUGGESTIONS
STEP ONE	
MAKE THE MOST OF WHAT YOU HAVE. Whether you are a retail operation or a service business or a combination of both, there is one area of your operation which is most profitable.	*But you cannot build the top of the pyramid first.*
You as a retailer may be best-known for your jelly doughnuts. By all means, work on that. Keep that item fresh and in stock at all times.	*The first thing you have to do is to build the base --that is, the concept of budgeting--and show how, after that is built, you can then go on to expense control.*
Let your bakery be known as the home of the best jelly doughnut in town. People will remember you for your jelly doughnuts and then come in for other items.	*Then--and only then--can you move on to profit planning. The sequence must be logical and orderly.*
The Great A & P Tea Company began with tea and only tea. After it had acquired a reputation second to none for tea, the firm branched out into other fields, and eventually ended up the giant operation it is today.	*Ask your students what they feel are their most important business assets.*
Similarly, and of more recent vintage, McDonald Hamburgers began by trying to serve the best hamburger they could make in the cleanest surroundings they could present. Their success in a little more than 20 years has been phenomenal. They concentrated on the one thing that people liked, and they owe their success to it.	*Some will say they have no assets.*
	But others will boast about their merchandise, their stores, their personalities, or whatever.
	YOUR JOB *is to convince the class that* everyone has assets.
You too, must find the one item in your business that the customer seems to want most from you. Then, present that item in the best way you know how. Promote it and advertise it the best way you know. That is the way to make sure you stay number one.	*Then you must show them how to use their assets as steps to profit building.*
	In one class, a student said his location was poor, his customers were from the lower rungs of the socio-economic ladder, and so on. In short, he believed he had no assets.
STEP TWO	
THE NEXT STEP IS TO FIND an allied item or an allied service to the item you know and sell best.	*Then one of his fellow students--a woman--said, "But Mr. Jones is the most popular man in our class. We all love him. He makes us all laugh, and he is*
Test it carefully at first, and then, if you find a healthy demand for it, go after it with all your might.	

In the case of the A & P people, once they had customers for their tea, they began to sell them butter and milk.

the kind of man you can get friendly with as soon as you meet him."

In the case of McDonald's, once they had hamburger customers, they began to develop their fish sandwich and beverage business.

The rest of the class agreed with her.

A letter-addressing service added a mimeograph and xeroxing service and today it operates as a small direct-mail operation.

After class Mr. Jones told the instructor that he had learned something very useful that night, and he felt he could apply it to his business right away.

Take a long, hard look at your business. Try a few new ideas. Then play, for all its worth, the idea that works. But make sure your new idea is allied to your regular business.

The moral: Sometimes we do not see ourselves as others see us. To do well in business we must know our good as well as our bad *points.*

STEP THREE

CUT ALL EXTRA FRILLS out of your business, unless you are very sure they pay off. Right at this minute you are probably doing some things that you have been doing for years--without questioning them. It may be free delivery. It may be fancy gift wrapping without extra charge. Think it over carefully. *IS IT A MUST?*

Try doing without it for a time and see what happens. If you are wrong you can always restore it.

STEP FOUR

STOP CARRYING ALL YOUR CHRONIC late payers and slow payers.

Teaching the small businessman to be a seasoned, well-balanced executive, is indeed a very difficult task.

It is well and good to be friendly and extend credit once in a while. But if you continue to do it on a permanent basis, you will eventually be "charged-out" of business.

It is further complicated by the fact that generally the small businessman has a small staff and knows his customers and his staff on a personal basis.

The customer who does not pay you on time is stealing your money because he is reducing the amount of your working capital. Get rid of him. He is a drain on your business.

Unlike the executive in the movies who seems very remote

COURSE CONTENT	TEACHING SUGGESTIONS
STEP FIVE	
DON'T CARRY DEADWEIGHT EMPLOYEES.	*from the scene of the action, the small businessman is right in the thick of it.*
Out of sympathy, kindliness, or misguided philanthrophy, are you carrying one or two of your employees?	*It is difficult for him to make an impartial judgment.*
Now, don't start to sputter and say you don't want to be a heartless Simon Legree.	*Still, it is your job to teach him the basic elements of expense control in personnel and accounts receivable.*
You know as well as anyone else that employees who don't pull their own weight are a drain on the business.	*From experience, we have found that the best way to solve this problem is to have an open class discussion, led by the teacher.*
If an employee continues to be a drain, eventually your business will suffer, perhaps drastically, and then who will employ you, or your wife and kids?	
If you have people who are not giving you an honest day's work for an honest dollar, sit down and talk it out with them. It may be a temporary situation due to an emotional upheaval, or a serious illness at home. In that case, as their employer, you should try to be understanding.	*You will find that your pupils will give you plenty of case histories. Your function is to indicate what their basis for a decision should be in order to earn a profit for the firm.*
But if an employee is a dead loss, a chronic complainer, you must face the issue squarely and part company with that person. Your first loyalty is to your business and to your immediate family.	*The secret word in this lesson is* PLANNING.
STEP SIX	*If there is only one concept you can put across in this lesson it must be* PLANNING.
ARE YOU GETTING THE MOST OUT OF YOURSELF? One of the most common mistakes we make as owners of small businesses is to be self-indulgent, or going to the other extreme, demand of ourselves certain performance levels which are thoroughly unrealistic.	*Simple as it may sound to a layman, you know as a teacher that it is a very difficult concept for the little man to accept.*
Instead we must learn to pace ourselves, to work within our limits, and to work at a reasonable and moderate pace.	*He makes fun of the endless committee meetings and board of directors meetings of the big companies, because he does not understand the tremendous significance of* PLANNING.
After all, you are the owner of the business. You alone determine its success or failure. So you must work and set an example for all those who work for you.	

COURSE CONTENT	TEACHING SUGGESTIONS
STEP SEVEN	
THE LAST STEP IS TO ASK YOURSELF:	*One way of teaching it is to use an analogy, such as the one illustrated here--showing how planning must be arranged in advance.*
1) Where do I want to be one year from now?	
2) Where do I want to be five years from now?	*Give your pupils as many planning outlines as you can. Encourage class discussion. Point out that even governments make five-year plans, and so on. But you must get across to the student that* unless he PLANS for profit in his business, he will never see it.
Assuming that what you want is $10,000 in cash reserves free and clear of any encumbrances, a larger business in a different location, and a stronger line of credit with the bank, you must plan for it.	
Let us, again, take a look at a family situation to make this point clear.	*A good teacher should be a good psychologist. He knows that the most important thing about a man is the man himself.*
Let us assume that you have a son who shows uncommon intellectual ability.	
His school grades are excellent and his teachers proclaim a good future for him. You know that in ten years he will be ready to go to college.	*Convince your students of this, and at the same time use it as your basic, motivating principle.*
That means you will need $8,000 to pay for his tuition and board at the college of his choice.	*Try the following exercise to get your students to think about themselves, and to illustrate the need and value of planning--both personal and business.*
In turn, that puts you in a position of saving $800 a year for ten years in order to have the money ready for him.	*With paper and pens prepared in advance, have each student write the dates of the next five years--one year each sheet--on five sheets of paper.*
That means roughly $65 a month to be put aside for your youngster's education.	
That is a sizable sum of money, and you will have to increase your income or cut your expenses, or both, in order to save it.	*Then tell each to describe what he hopes to attain each year: income, business expansion, education, vacations, social activities, etc.*
But it will be worth it when your boy graduates from college and goes into a profession with a promising future.	
The same thing holds true for your business. You can't just go along from day to day like a headless horseman, taking any direction that appears promising.	

COURSE CONTENT	TEACHING SUGGESTIONS
That would be like doing nothing about your son's education funds and hoping for some miraculous development that will pay for his college education.	*After about 15 minutes, tell them to stop writing and ask for volunteers to read what they have written.*
It does not usually happen that way.	
YOU MUST PLAN CAREFULLY FOR EVENTUAL SUCCESS.	*After the volunteers read, ask for comments from the whole class.*
You must learn to budget your year, your month, your week, your days as to sales and daily income and outgo.	*During the readings and the comments the students will reveal--to you and to themselves--many things which they may never have thought about or verbalized before.*
You must seek every means at your disposal to use your working capital (your dollars) to the utmost and cut out every possible frill so that every one of those 100 cents in your dollar works for you full time.	*Thus they (as well as the teacher) learn by thinking about themselves, and each other.*
The price for this may be a slight loss in personal popularity, but remember business is not a popularity contest. *IT IS A WAY OF MAKING A PROFIT!*	*And that's what good teaching is all about!*
	In addition, if we can make our students see the relationship between personal and business planning, we shall have succeeded.
And, finally, you must plan ahead, for next year, for the next five years, for the next ten years.	
You must learn to look ahead and build up cash reserves for an emergency or for a good business opportunity, like buying inventory off season, or finding a growing new location that will increase the size of your business.	
Above all, you must not stand still, because if you do, all your competitors will leave you far behind.	
So, with a sense of optimism, you must plan for the future. No one can control the future, but, by planning carefully (and allowing for occasional setbacks and periods of discouragement) you can prepare for what the future may hold in store for you.	
A very wise man once said that the difference between animals and men is that animals do not learn from past mistakes as well as men do.	

COURSE CONTENT	TEACHING SUGGESTIONS
A corollary would be that the difference between a successful businessman and an unsuccessful one is that the successful one *PLANS AHEAD* while the unsuccessful one does not.	
It is all quite like a skipper setting out on a sea journey.	*As a good teacher, it is your responsibility to give your class an optimistic sendoff.*
He plots his direction very carefully, day by day, making allowances for untoward tides or high seas.	*Give them the motivation to go home and* plan *ahead for profit.*
He lays in provisions for the journey, plus emergency food in case the trip takes longer than planned.	*If you have done that, you have achieved what you set out to do.*
He runs a tight ship, making sure that every crew member (including himself) does the job he is supposed to do as part of the team.	*You have helped the small businessman to succeed.*
And finally, he is optimistic that he will reach his goal and realize a good profit from the sale of his cargo, his investment of time, his energy and forethought.	*All your efforts will have been worthwhile.*
That is the essence of this lesson--profit planning for your business.	*And long after your class is over, there will be those of your students--probably those who have succeeded--who will remember you for what you taught them.*
BE A GOOD SKIPPER!	*Now isn't that worth all the effort it takes to be a* good *teacher?*

SUMMARY

BUDGETING, EXPENSE CONTROL AND PROFIT PLANNING

1. Budgeting is the base for building a profitable business.

2. Teacher and students must work out a typical calendar month (as shown on page 4 of this chapter) in all its details, in order to follow a careful example in their own business.

3. *GROSS PROFIT* is the total profit you make. But you have to take off all your expenses like rent, heat, telephone, taxes, supplies and everything else in order to get your *NET PROFIT*.

4. In order to arrive at a *NET PROFIT* you must plan ahead. That means choosing a 12-month period and writing down every item of volume, expense, markup, markdown, etc.

5. Allow for seasonal fluctuations in your business in making up your budget.

6. Even if you are not sure of your facts, put down a "guesstimate." In time you will refine it. *BUT YOU MUST START OFF WITH SOME PLAN.*

7. Expense control does not mean *no spending*. It means *intelligent spending* for profit.

8. As a businessman, you must learn to exercise control over yourself and watch every dollar you pay out. No unnecessary expense is ever justified.

9. Make the most of what you have.

10. Sell an allied service or allied merchandise.

11. Cut out all frills.

12. Stop carrying slow payers.

13. Don't carry deadweight employees.

14. Plan for one year ahead, then five years ahead.

15. You alone determine whether your business makes a profit. Don't let yourself down!

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Also see page 96, *Other Teaching Materials*.

2

TAXATION AND GOVERNMENT REGULATIONS

COURSE CONTENT	TEACHING SUGGESTIONS
Taxes, in today's business life are very complex. Therefore, you must engage an accountant. His fee will eventually be balanced by the savings he makes for you. Furthermore, the government will penalize you if you do not pay your taxes on time. So take heed! *HIRE A QUALIFIED ACCOUNTANT TO DO YOUR TAXES, NO MATTER HOW SMALL YOUR BUSINESS MAY BE.*	*Whatever you do, please* do not *encourage the small businessman to be his own accountant. It is just not his cup of tea, unless he himself is an accountant.* *Just tell him that you are pointing out some guidelines, but* HE MUST CONSULT A PROFESSIONAL ACCOUNTANT. *When the businessman says he is reluctant to do so because he does not have the money, be quick to point out that it will cost him more to do his own taxes than to employ a qualified accountant.*

INCOME TAXES

There are at least two and possibly three income taxes you must pay.

MUNICIPALITY TAX

In some cities, like New York, there is a city income tax. Chances are that your own city does not apply an income tax to your earnings. But, if you earn your living in New York City, even though you do not live in the city proper, you must pay that tax. Make sure you do. Penalties are high.

STATE TAX

Every businessman in New York State pays a state income tax. It is a small price to pay for the privilege of being a citizen of the State.

You should explain that taxes are not arbitrary.

You don't have to go too deeply into the philosophy of taxes to explain that the government performs many services for the individual in return for his taxes. Taxation is a small price to pay for police and fire protection, for safety, health, and so on.

It falls due at the same time as the federal income tax. You should have your accountant prepare returns for both at the same time, since, in most cases, they are interdependent.

FEDERAL TAX

This is the big tax for most people. It is the tax that cartoonists mock and the one most people complain about. It falls due April 15.

Actually, it is just one of many taxes we pay as citizens.

It is a labyrinth to the average man, yet there are short forms he can work out himself, without the aid of an accountant.

But it is much wiser to go to the Internal Revenue Service and get advice and suggestions *FREE* (They'll be glad to help you.) than to fill out the forms yourself.

When it comes to the federal income tax, you must explain the necessity of getting help. Point out that there is FREE *help at the offices of Internal Revenue. But again, induce your students to* HIRE AN ACCOUNTANT!

All personal and business income is taxable unless exempted by law. EVERY RESIDENT OF THE U.S. *with a gross income of $600 or more during a year must file a federal tax return. Married people may file either jointly or separately.*

EXCISE TAXES

A good definition: Excise taxes are taxes outside the person and the business.

For example, there are excise taxes on tires, automobiles, diesel fuel, and many other items. Do not confuse these excise taxes with sales taxes.

It is worth mentioning that excise taxes differ from all others. If this were a graduate seminar in economics, you could show the overall impact of all taxes on our economic structure. Since this class is for small businessmen it is wiser to explain and define excise taxes on a simpler level.

EMPLOYMENT TAXES

There is a group of taxes which we list under the general title of employment taxes because they arise out of the relationship between employer and employee. But remember,

To make this an interesting part of your lesson, you might tell the story of President Roosevelt and the

COURSE CONTENT	TEACHING SUGGESTIONS
Uncle Sam is a silent partner throughout, and so, to some extent, is New York State. Watch these taxes carefully.	*New Deal and the reason these taxes came into being.* *Throughout this lesson, if you can make the reason for taxes meaningful, you will hold the attention of your class.*
SOCIAL SECURITY This is a federal tax in which *BOTH* employee and employer share alike. In other words, if the employee is earning $100 and the rate is five percent, or $5, then the employer pays $5 and the employee pays $5. There is no set rate, however, since both the rate and the base are subject to periodic changes. Your accountant keeps current with all changes and will advise you. Newspapers generally carry notice of these changes too. And, as a last resort, you can call your local Social Security offices which you will find listed under United States Government in your telephone directory.	*You will find, strangely enough, that many small businessmen do not understand these basic employment taxes.* *It is hard for them to understand the huge bookkeeping job the Federal Government has set up.* *Therefore, it is very important for you to go very s-l-o-w-l-y and explain with utmost care.*
WITHHOLDING There is no great mystery about the withholding tax. The amount withheld is based on information supplied by your employee on Form W-4. When you hire a new employee, have him fill out Form W-4. This is a standard printed form you can get almost anywhere--stationery and office supply stores or your local bank. On that form, your employee declares how many dependents he has. A dependent is a member of the employee's family who is dependent on him for support. It may be his wife, his children, his aged mother or father or any other person who falls into the category of being legally dependent. The amount of withholding is based on the number of the employee's dependents.	*But don't attempt to make accountants out of your students.* *Instead, urge them to hire or consult an accountant to set up their books.* *You should tell them government agencies never forgive or forget.* *If they have an idea about beating the system or not reporting their tax accounts properly, tell them to forget it.* *At some time, in a week, a month, a year or ten years, the Government will catch up with them. And they will*

Let's say this withholding is $20. Multiplied by 52 checks (if the employee is paid once a week), that amounts to $1,040. This is the approximate amount of federal income tax your employee will pay.

have to pay the original amount, plus interest, plus a fine.

"It just ain't worth it." As the old joke has it, "Pay the two dollars."

You, as the employer, do not have to make a contribution to this withholding. You are simply serving as an agent for Uncle Sam and your employee. But what you must do, if the amount to be collected per month from your employees is more than $100, is to deposit that amount in the bank in a special account. Your bank or accountant will tell you how to do it.

Anyhow, we live in the greatest country in the world. Our taxes are justified many times over.

UNEMPLOYMENT TAXES

Here is an area where you, the employer, pay the tax. Your employee does not pay this one at all.

An unemployed worker may register for work at the local State Employment office, and may file a claim for unemployment benefits if no suitable opening is available. In New York State the maximum weekly benefit is $65 for 26 weeks.

You are liable, says the law, if you have four or more employees for a minimum of 20 weeks during the year.

This tax is payable *BOTH* to Federal and State Governments.

Consult your accountant.

SELF-EMPLOYED

Let us say you are a one-man business, no employees. You are then in the category of the self-employed.

Usually, in this part of the lesson, your students will try, in guarded ways, to elicit information from you as to whether they are liable for things they have done.

You are still subject to the Social Security law and as such you have to pay a rate generally higher than an employee.

Consult an accountant or call your local Social Security office.

It may be the small grocery store owner who employed his brother-in-law, but paid him in produce, not in cash.

Or it may be the woman who ran a little millinery store, hired friends for busy Saturdays, and paid them as she felt like.

Explain to your students the intent of the law--and their liability.

SALES TAX

As pressure mounts in our cities and states for more revenue, the sales tax--a percentage of every transaction over the counter--becomes more and more important.

To the small retailer, it is one of the most perplexing of all taxes.

First of all, it is a continuing daily tax.

There are some exceptions to the tax--certain foods or drugs, specific items under a certain amount, certain services. It requires a specialist in sales taxes to determine what the amount should be on most transactions.

If you or your associates are sloppy in the handling of the sales tax, and you make an error, the city or the state holds you liable. Thus, if your girl charges 26 cents sales tax where she should have charged $2.60, the sales tax people will get the difference from you.

Some customers will complain and try to bargain you out of the sales tax. It's no use telling them that you have nothing to do with it, that you are merely acting as the agent. They feel that you are making so huge a profit, you can take it out of that.

Do not succumb to temptation and do not let them get away with it. If you do, you are opening the door for further abuse.

Stand your ground firmly. Explain to the customers that it costs you time, money, and energy to collect the sales tax and that they should understand your position.

If this still does not move them, then your only position is to insist. Either they pay the sales tax, or they leave your store without the merchandise.

Even if the small businessman does not understand any other taxes, he generally considers himself a whiz on the sales tax.

But most times he is not a whiz at all.

You should tell him to get the prepared sales-tax chart for his locality, telling him how much to charge for each transaction. If he doesn't know where to buy one, tell him to go to his local bank or call his cash-register-service people. They will help him.

As a teacher, you cannot be naive. You know that in certain "big ticket" items like appliances, furniture, automobiles etc., there are sales tax deals made every day of the week.

However, do not sanction these deals by any kind of silent or vocal approval.

Tell them it will only cost them more money in the long run and it does not pay to play with fire.

Before you go to class make sure you know the exact sales tax rate in the community where you teach.

COURSE CONTENT	TEACHING SUGGESTIONS

GIFT TAX

If yours is a family-owned enterprise and members of your family are employed in the business, there are certain allowable deductions.

These include such things as annual gifts, specific exemptions, and marital deductions.

When you get to this area, cover the ground, but tell the people to see THEIR ACCOUNTANT *and* THEIR LAWYER.

Chances are that no one in your classes will be involved in this kind of a situation--but you should go over the material anyhow.

ESTATE TAX

The British call this the Death Tax and their more direct term is much better than ours.

This is a tax placed on all the property and assets of a person who has died. It is so inclusive it even covers gifts made in contemplation of death.

You should consult a lawyer--preferably one who specializes in this work.

This tax must be paid on estates valued at more than $60,000 gross. The tax, in general, must be paid within 15 months of the date of death.

PROPERTY TAXES

Any one who owns a house knows he has to pay taxes on it. If you own a store, a lot, a summer home,or any acreage, improved or not, you must pay taxes on it.

You must also pay taxes on any business property you own--for example the property on which your store or office is located.

The point of this lesson is to give the small businessman an idea of the scope of taxes. It certainly is not an attempt to make a tax expert out of your student.

So keep the tone and content of this lesson in line with this basic thought.

CORPORATION AND PARTNERSHIP TAXES

If your firm is properly incorporated under the laws of New York State, you must pay taxes to both the State and the Federal Governments.

If your business is a partnership, then you must file a tax return. In this instance, there is no tax on the business as such. The tax is collected from the partners.

You should explain here the difference between a corporation and a partnership, and why a corporation must be incorporated by a lawyer who knows the procedure. Explain the advantages of this.

COURSE CONTENT	TEACHING SUGGESTIONS

LICENSES

A license is a form of tax. Let us say you want to sell hot dogs and soft drinks from a cart in New York City. You are required to get a license and renew it every year.

The same is true if you sell liquor or cigarettes. This is a tax in a very direct way. Barber shops, beauty salons, restaurants, and many other businesses must have city licenses to operate.

Before you come to class, it is a good idea to call the County Clerk's office and ask what types of licenses are required of firms or individuals doing business in your county. The number of them will surprise you.

BUSINESS DECISIONS AFFECTED BY TAXES

There are three basic forms of business organizations.

One is a sole proprietorship, which simply means you own your own business. Your taxes are based on your income from your business and, in effect, your business is you.

The second form of business organization is the partnership. Here your income is affected by how much the business pays you and how much it pays your partner. Even if you both receive the same income, you may pay different taxes due to differences in the number of dependents, amount of medical bills, etc.

The third form is the corporation. Here, in essence, you become the employee of the corporation and your taxes become more complex. There is your own personal tax. Then there is a tax, both State and Federal, on the corporation itself.

You would be wise to consult your accountant and lawyer as to what is the best type of organization for you. It is not a simple decision and you should get professional help.

Since May 1, 1966, a graduated system of withheld tax deductions requires employers to compute the amount of tax to be withheld from employees. The rates go from 14 to 30 percent. Your accountant will provide you with a table for figuring these withholdings.

LOCATION

Some communities are so anxious for business firms to move in that they will restructure the tax base so that many

taxes are forgiven. This tax advantage, of course, gives the firm a head start over its competitors.

BUT this generally applies only to medium-sized and big business establishments. It rarely applies to the small business.

At this writing, New York State is trying to induce businesses to move into deprived areas of its big cities. The State feels this will give residents of these areas a chance to become productive citizens. Although there is some talk about including small business in this program, tax abatement is intended mainly as an inducement to big businesses which can employ dozens or even hundreds of people.

Advise your students that if they feel their business is big enough to move, or if they feel that they can enlarge their business by moving it to an area where New York State might aid them, they should write to the New York State Department of Commerce, Albany, New York.

CAPITALIZATION

If you run your own small business, you know how difficult it was to get started. If you had had a salaried job and were lucky enough to have saved enough to get started, then you are indeed fortunate.

But if you had to borrow the money from family, friends, or a bank, you know the problems of trying to run a business, make a profit, and also return the money you borrowed, plus interest.

Your own money is called *equity capital* as compared to *borrowed capital*. The difference between them can make your business either a success or a failure.

The only tax advantage you get when you borrow money for your business is that the interest is usually tax deductible. See your accountant.

As a teacher you must also be an economist and explain to your students what capitalization really means. Don't go too deeply, but do try to go beneath the surface and explain the consequences of under-capitalization, for instance.

LEASING VS. BUYING

There are two ways to get capital equipment (or heavy equipment)--by leasing or by buying. Various aspects of this are discussed elsewhere in this course.

COURSE CONTENT	TEACHING SUGGESTIONS
In this phase, we are discussing taxes. You should consult your accountant as to any tax gains obtainable by leasing, or tax losses resulting from an inability to charge for depreciation. This problem varies from business to business. We strongly suggest listening carefully to your accountant's advice.	*You should explain IBM's growth, which was based on leasing its office machines to customers rather than selling. Point out the difference.*
INVENTORY VALUATION No matter how small your business, this is one area you must watch carefully. Large department stores take a daily inventory check of their reserve stockrooms. Twice a year, generally at the end of January and the end of July, they also take a complete physical check. These inventory checks have many uses, not the least important being the determining of profit or loss, for tax purposes. Inventory valuation affects profit through two avenues: through the pricing of withdrawals from stock, and through the placing of a value on the inventory at the end of each accounting period. The pricing of withdrawals from stock can be done by the following methods: FIFO (first-in-first-out), LIFO (last-in-first-out), and several different averaging methods. The placing of a value on an inventory is also done by the same methods. FIFO and LIFO are used frequently, but the one used most frequently is cost or average, whichever is lower. The details of these valuation methods need not be covered in this course. It is best that a small businessman consult his accountant for advice on which methods to use and how to use them.	*You cannot overstress the fact that inventory is like cash: it has to be used properly. Sometimes it is wiser to spend your cash for merchandise or service; othertimes it is wiser to save it. With inventory, point out that you are dealing with a dynamic, not a static factor.*

GOVERNMENT REGULATIONS

PROTECTION OF EMPLOYEES

There is a minimum hourly wage rate you must pay. If you do not pay it you are liable for heavy penalties. If there is any question in your mind, call the New York State Department of Labor which is listed in your telephone directory under New York State.

Also, be careful if yours is a business where women and children are employed. Their hours of labor must be limited; adequate rest rooms must be provided; and women may not, except in very special cases, work at night.

You must also provide for unemployment and disability insurance. The Workmen's Compensation Act is strictly enforced. It is wise to follow it carefully. A New Your State Labor Department inspector checks from time to time. Make sure you stay in line.

In 1950 there were over 63 million people in our nation's labor force, and the unemployment rate was 5.3 percent.

In 1967 there were over 80 million people in the labor force, with an unemployment rate of 3.8 percent.

The rights of this vast body of workers are very carefully protected, especially in New York State. DO NOT DISOBEY THE LAW. *The penalties for disobeying are very stiff.*

RIGHT TO ORGANIZE

One other product of the New Deal is the right of labor to organize. It probably does not affect you very much if you are a small businessman with one or two employees, but it could. If you are running a small store and employ two clerks, they may want to join the Retail Clerks Union. It is unlikely, but it can happen. If it does, there is nothing you can do to prevent it. And it is *ILLEGAL* for you to try.

If your employees do join the union, it will probably increase your cost of doing business. So be realistic about it and prepare accordingly.

FAIR-EMPLOYMENT PRACTICES

An employer may not discriminate in hiring because of race, religion, creed, sex, or age, according to a New York State law. And this law is enforced.

Some states do not enforce labor laws and fair employment practice laws. But WE DO IN NEW YOUR STATE.

COURSE CONTENT	TEACHING SUGGESTIONS
Of course, you still retain the prerogative of choosing the best man or woman for the job. But, if the applicant feels that he or she has been discriminated against, that applicant can lodge a complaint against you. So make sure you are scrupulously fair in your hiring practices and in your treatment of personnel. There is someone always looking over your shoulder.	*If you discriminate, and the charge can be proven, you are in for a hearing and a fine. Why take a chance?* *If you turn down a prospective employee, make sure there is no taint of discrimination in your decision.*

HEALTH INSURANCE

Today, there are very few firms that do not have some kind of voluntary health insurance, with contributions by the employees. Also, employees 65 and over are covered by Medicaid and Medicare programs. This is not the place to discuss Medicaid and Medicare, since both are quite complex. What you might do is write your local Social Security office for the latest brochure and see what part applies to your business.	*From July 1966 on, most citizens aged 65 and over have been eligible for hospital insurance. Participation in the program pays for hospital costs in excess of $40, for not more than 60 days. Also covered are costs in excess of $10 a day for an additional 30 days.*

PROTECTION OF BUSINESS

In order to protect you against unfair competition, certain agencies have been established. This is generally the main function of any local Better Business Bureau, a non-official body. If a situation gets to the point where the BBB feels legal action is called for, it sends a recommendation to state or local law enforcement agencies. In New York State, the Attorney General's Office supervises business practices. If you should have a complaint write: Attorney General, Albany, New York. What are the areas all these agencies seek to supervise and correct? Let's look at them:	*A good way to begin this part of the course is to have your class tell you of the unfair practices of their competitors.* *They will come up with all sorts of accusations.*
MISLEADING ADVERTISING If a competitor publishes advertising that you consider misleading, refer his ad or	*Write them all on the board and see if any of the accusations are legitimate--*

window streamer or direct mail piece to your local Better Business Bureau. They will follow it up and caution him once. If he repeats a second time, they will bring action to bear on him by enlisting the aid of a law enforcement agency. However, it will help considerably if you make sure of your case before you begin any action. Make sure to have a copy of the ad, or any other material you need to prove your point.

that is, if they can be made to stick.

Then ask them to tell you homestly if they themselves are guilty of any of these practices. It should be fun.

RESALE PRICE MAINTENANCE LAWS

To illustrate this, let's take an example from actual business practices.

The Magnavox Company officials have a very rigid policy in regard to prices of their products. Let's say they have made a television set which wholesales for $178 and retails for $239.50. They send shoppers to all television stores that sell their product. If they find someone selling their TV set for $225 instead of $239.50, they take out their sets and do not permit that dealer to sell Magnavox again.

There has been a great deal of legal disputation in regard to this maintenance of resale price by the manufacturer. Some retailers contend that once they have purchased the item from the manufacturer, it is their responsibility alone as to whether they can discount their merchandise. The manufacturers contend that the integrity of their nationally advertised brands is at stake, and that they have the final say.

At this writing, discounting continues to be prevalent. Unless the manufacturers set up the policing machinery, resale price maintenance laws will be observed more in the breach than in the observance.

When you get into discounting, *you are bound to get a very heated argument from your class. They will tell you how they, as small businessmen, cannot compete with the giant discounters.*

TRADE MARK AND PATENT PROTECTION

These are carefully maintained. If a retailer, or any other person tries to counterfeit a trademark, or take advantage of someone else's patented item, the full weight of the law descends upon him.

Here is where you can be most effective: Point out to them that their greatest weapon against discounters

If there is any question in your mind, consult your attorney.

UNFAIR TRADE PRACTICES

In business, you must constantly protect yourself against these practices. For example, take the matter of discounts. A manufacturer's list price may be $100 for a certain item. You buy one dozen of these items. Your competitor, down the street, buys 12 dozen. He pays $100 less five percent, giving him a $5 advantage per item over you. You can protest all you want, and complain to everyone you can find, but unless you are prepared to spend a large amount of money in legal fees, the chances are that the manufacturer will not heed your complaints. The only alternative is to drop the offending manufacturer's line. Sometimes even the threat of doing this brings a concession from the manufacturer.

ADVERTISING ALLOWANCE

Most manufacturers are very fair about this procedure. Advertising allowance is worked this way: Suppose you buy X brand refrigerator to resell. There is a $5 allowance on every X brand refrigerator. So if you buy 20 refrigerators, you are entitled to $100 to spend on advertising. One problem here is that the small businessman does not quite know how to use the advertising money. Another problem is that some manufacturers will give a volume buyer a larger advertising allowance, which gives the large volume buyer a distinct advantage over the smaller man. Here too, unless you are prepared to pay a lawyer a large fee, your only alternative is to protest loud and often.

KICKBACKS

At the risk of sounding naive, we can truthfully say that this practice is dying out.

Of course it does exist in some trades, but only in a petty way.

is their own personal interest in their customers.

By pleasing their customers, by giving them personal attention via phone and mail, they are doing something that no big discounter can ever afford to do.

The reason for its decline is not so much moral as economic. Once an illegal kick-back is even gossiped about, the firm involved loses that sacred element of any business-trust.

PROTECTION OF CONSUMERS

Protecting consumers is good business. If your consumer believes he is being fairly treated, he will be inclined to buy more, and also to buy better quality.

Discuss the servicing of customers, and how most large stores do not service their customers adequately.

Again, to illustrate this principle, let us go to the large department stores which have grown because they gained the confidence of the consumer. One probable reason for their success is their policy on returns. It is usually a very liberal one. If a woman shows a sales check (and many times also if she does not) she gets her money back.

Newspapers are filled with complaints from the public about shoddy treatment at the hands of big business--car dealers, appliance stores, supermarkets.

During post-Christmas week, department stores have an extra-liberal return policy. Their theory is that if a woman comes back to the store and receives a cash refund, or a merchandise-slip refund, she will spend it in the store, and possibly more.

This is where the little man can make significant inroads into territory generally claimed by big business.

Service and personal attention are what the little man has to offer, and in today's market, they are important.

Manufacturers, too, have found that the more liberal their guarantee policy, the more confidence the consumer will place in their goods. Giant firms like General Electric have even established service centers that cater to the buyer of General Electric items.

It makes for better business all-round. So take a leaf from the book of big business and give your customers the feeling they are protected.

PURE FOOD AND DRUG ACT

The governments of the United States and of New York State make sure the food you buy, and the drugs you use (whether proprietary drugs or prescription drugs), are as pure as they can be.

The consumer is being educated by the newspapers as to the importance of the Pure Food and Drug Act.

COURSE CONTENT	TEACHING SUGGESTIONS
For example, if you look at the label of any can or package you buy, you will see the ingredients of that package listed.	*Even a consumer with very little formal education reads about hamburger meat being adulterated, then overpriced.*
Your customer need only read the label to find out what chemicals, preservatives, oils, sweeteners, etc. are contained in the item.	*Your student, as a little man, is in a position to tell his customer that he is watching very carefully to screen out any adulteration of food or drugs that come into his store.*
You need only shop in any country outside the United States to see how important this protection is.	
In addition, the federal and New York State authorities employ inspectors who regularly inspect plants where food and drugs are processed, to make sure no impurities or foreign matter find their way into the package.	*In other words, accent the positive--the fact that the little man is a watchdog protecting the interests of his customer, unlike the big stores to whom the customer is just a number on a charge plate.*

PROPER LABELING OF TEXTILES

Only a quarter century ago, there were four categories of textiles: cotton, wool, silk, and rayon.

In today's rapidly advancing technology there are many new textiles: polyesters, nylons, dacrons, and dozens of combinations of all these.

Some may be washed in washing machines; some must be dry-cleaned; some must be done by hand with special soap.

The writer watched a small businessman sell three expensive sweaters by going over the meaning of the labels in detail with the prospective buyers. He won the confidence of the customers. After that, selling sweaters was easy.

No housewife likes to spend her husband's hard-earned money on a shirt, dress, or jeans and have that item ruined by improper cleaning.

Therefore, labeling has become a very important issue.

Today, every piece of wearing apparel, from an undershirt selling for 39 cents to a fur stole selling for thousands of dollars, must be properly labeled.

One of the outstanding features of American life is that we are protected as consumers.

ZONING REGULATIONS

In one suburb of New York there is a group of homes valued at $30,000 and up. The edge of this development touches an area devoted to business.

Recently, a pancake house applied for one of its franchise restaurants to be built on the border of this development.

Naturally, the owners of the homes were aroused and took action. They appealed to their town's zoning board. After a hearing, in which both sides presented their briefs, the restaurant was moved to a location where the homeowners would not be disturbed.

Everyone had a fair hearing and the adjustment was accepted by all parties concerned.

Every county, city, village, and town in New York State has its own zoning regulations and building codes.

Before setting up a business, the best thing to do is to go to the office of the clerk of the town, county, or village and ask to see those zoning regulations.

BUILDING CODES

There is a right way and a wrong way to build any structure. Over the years, it has been proven again and again that skimping on materials and quality results in accidents and tragedies.

The builders complain, if they are unintelligent, that the codes are too strict.

But good builders know that there is no substitute for quality and good construction.

The local authorities, buttressed by New York State, insist on proper building procedures and materials.

There can be no argument with their strict insistence on quality.

Don't put yourself in the position of the man who built a $100,000 addition to his restaurant and then had to take it down because he had violated a simple regulation in the building code.

FIRE AND SANITATION INSPECTION

Every time a tragic fire breaks out, taking a toll of lives, the fire inspectors are put on the carpet.

And yet, records often indicate that fire inspectors did cite the occupants (or owners) of the burned structure, and that their citation was not heeded.

Recently in St. Albans, Vermont, nine people (three of them children) died in a fire. It was found that garbage and other obstructions on a stairway prevented a safe exit.

Fire inspectors had cited the owners of the house and they had paid their fine, but had not corrected the unsafe conditions.

It behooves all of us to support our fire inspectors.

The alternative can be tragedy.

WEIGHTS AND MEASURES INSPECTORS

And finally we come down to this problem, which most city governments try to keep under control.

Happily, consumer leagues are also springing up in some localities to control greedy retailers who shortweight their customers.

It is interesting that retailers and supermarkets which play fair with their customers are the ones which prosper.

So important has this phase of consumer protection become that Federal and State Governments have inspectors--often women--who check on retailers and manufacturers in this matter.

It is a governmental practice that promises to grow stricter and stricter. So watch yourselves. Watch your consumer relations. It will pay off for you in dollars.

Bess Myerson Grant, Commissioner of Consumer Affairs of New York City, had her inspectors check the weights and measures of every supermarket chain in the city and fined those whose scales were wrong. The fines were not heavy, but the loss of face--and the probable loss of customers --were serious blows to those businesses.

Don't lose the goodwill of your customers. It is priceless.

SUMMARY

TAXATION AND GOVERNMENT REGULATION

1. Do not save money by refusing to hire an accountant to advise you on taxes. This is one area where a good accountant, preferably a C.P.A., will *save* you money, and possibly help you avoid a run-in with tax authorities. Taxation is a part of today's total scene. Learn to live with it, unpalatable as it may be.

2. Remember to pay:
   A) Municipality tax (where indicated, such as New York City)
   B) State tax--due April 15
   C) Federal tax--due April 15

3. Remember to pay surtax where it is called for.

4. Keep good records. *DO NOT* do your own tax. If you are without funds and cannot afford an accountant, any federal or state tax office will help you prepare your return.

5. Excise taxes are taxes outside the person or business, such as the tax on tires.

6. Employment taxes are Social Security, withholding, and unemployment taxes. Ask your accountant or banker to help you. They are *MANDATORY* taxes and the fines for non-payment are stiff. Sometimes, in extreme cases, the result is a prison sentence. *DO NOT TRY TO FOOL THE GOVERNMENT*.

7. Sales taxes must be paid by the consumer. You are the collecting agent. You are responsible.

8. Gift and estate taxes may not affect you, but if they do, see a good lawyer, or an accountant, or both.

9. Pay property taxes. In most cases you'll be billed by your county or village. Set up a reserve. See your bank.

10. Make sure you understand the difference between corportation, personal, and partnership taxes. See your accountant.

11. A license fee is a form of tax. Make sure you have a license if you need one. Your bank will advise you if you are in doubt.

12. Types of business organization:
   A) Sole proprietorship
   B) Partnership
   C) Corporation

13. Difference between "equity capital" and "borrowed capital."

14. Advantages and disadvantages of leasing and buying equipment in terms of tax write-off.

15. Inventory valuation:
    A) LIFO
    B) FIFO
    C) Cost or market, whichever is lower

16. Government regulations on protection of employees.

17. Government regulations on protection of business.

18. Government regulations on protection of consumers.

19. Conclusion: Pay your taxes and heed your accountant. Obey the laws and heed your lawyer. It may cost more at the beginning but you'll come out ahead in the end.

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Also see page 96, *Other Teaching Materials.*

3

BUSINESS INSURANCE

COURSE CONTENT	TEACHING SUGGESTIONS

DEFINITION OF BUSINESS INSURANCE

Insurance *is not* an extra cost. Insurance *does* provide security for business ventures.

The above statements form the basis of this lesson's work. What we will study are the various kinds of insurance--life insurance, fire insurance, liability insurance, bonding insurance, compensation insurance, and many other forms.

What we must keep in mind is that insurance bought intelligently can provide a wall behind which a small businessman can operate.

Let's take an example that you, as a family man, will appreciate.

Buying hospital and health insurance for your family is an expense you would like to do without. But if you, your wife, or any of your children get sick and have to be hospitalized, all your savings can be wiped out with one illness. To avoid this, you buy medical and hospital insurance. It is only common sense. *YOU BUY INSURANCE FOR SECURITY.*

In your business, you buy different kinds of insurance for *SECURITY*, to see that you and your family are protected.

INSURANCE IS NOT AN EXPENSE. INSURANCE IS SECURITY.

In teaching this part of the course, try not to be too technical. Don't confuse your student with terms he does not understand.

Your job in this introduction is to make your class grasp the fact that insurance was first invented to spread the risk--so everyone would come under one big umbrella when it rained.

Since rainy days are a fact of life, insurance has proved its worth.

The biggest thing you will have to overcome is the small businessman's belief that insurance is just another added expense, a corner he would like to cut.

BE PATIENT. DO NOT OVERSELL. BUT DO STRESS THAT INSURANCE IS A LEGITIMATE BUSINESS EXPENSE.

You have to keep this concept in very simple terms.

The average man really has a very elementary knowledge of insurance.

Before you discuss more complicated insurance features, try to get him to understand the BASICS.

TWO GENERALIZED EXAMPLES

To understand the basic idea behind all insurance, let's touch first on fire insurance and life insurance.

COURSE CONTENT	TEACHING SUGGESTIONS
Every businessman knows fires occur. He knows that in a fire his valuable records, his inventory and other assets would literally go up in smoke. So what he does is guarantee his business against loss by paying an insurance company small, fixed premiums at stated intervals so he can be protected. Perhaps an even easier way to understand basic insurance principles is to look at life insurance. Out of 100,000 people, an estimated 1,229 aged 20 will die before they reach 25. *BUT NO ONE CAN SAY WHO WILL BE AMONG THE 1,229*. So we all buy life insurance, hoping it won't happen to us or our families. Nevertheless *WE PROTECT OURSELVES AGAINST CATASTROPHE*.	*You must bring it down to earth for him so that he understands.* SIMPLIFY!
LEGAL DIVISIONS OF INSURANCE COMPANIES When you buy any kind of insurance, you must remember to deal only with a *LICENSED INSURANCE BROKER*. He must pass a state examination to obtain his license, and must place his business with *ADMITTED COMPANIES*. There are three kinds of *ADMITTED* insurance companies: *DOMESTIC COMPANIES*, which have obtained their charters from the state they are in--in our case New York *FOREIGN COMPANIES*, chartered in other states of the United States *ALIEN COMPANIES*, which have been organized in a foreign nation In order to be *ADMITTED* to do business, an insurance company must comply with rules fixed by legislation and the New York State Insurance Department. Ask your *licensed broker* if you may see his license; ask him also to indicate if the company he is doing business with is an *ADMITTED* company.	*It is the little man who knows the least, and who can least afford to be fleeced, who suffers most at the hands of unlicensed insurance brokers. They will sell him insurance* WITH A NON-ADMITTED COMPANY AT BARGAIN RATES. *Tell your class how to avoid this pitfall.* *You may say that this happens rarely, and that's true enough. Most insurance men are licensed, honest, and helpful. But about the one in 10,000 who is not, there must be a warning given.* *The small businessman rarely knows about these basic legislative statutes. Teach him about them gently, but firmly.*

LIFE INSURANCE

A businessman takes out life insurance on his own life to protect his family and his business in case he dies.

IN ORDER TO DO SO, HE MUST NAME A BENEFICIARY IN HIS POLICY.

A beneficiary is the person to whom the money goes. Let's say you are taking out insurance on your own life for $20,000. You can name the following beneficiaries:

YOUR WIFE--This is an obvious one. But if your wife is not capable of handling funds properly, you should think of alternatives.

YOUR CHILDREN--Here the problem may be that your children are not of legal age and the court would have to appoint a guardian.

YOUR PARTNER--If you have a partner, the practice is to have him name you his beneficiary, and you name him yours. In that way, should anything happen to either of you the business continues. This is generally covered by an accompanying agreement, drawn up by a lawyer, so that the funds are properly used.

YOUR BUSINESS--You can make your business your beneficiary under certain circumstances. Your broker and your lawyer should both be involved in this arrangement.

There is another feature of life insurance you should know about: The laws of New York State protect a woman against creditors who might want to take life insurance money from her if her husband dies. In other words, life insurance proceeds go to the widow, by *NEW YORK STATE LAW*. Even if there are outstanding business debts, the creditors cannot touch that money.

Furthermore, by law, the widow does not have to pay income tax on the life insurance money that comes to her.

Again, try to avoid technicalities. Explain as much as you think your class can grasp.

Especially if you are an insurance-trained executive, you may drop technical phrases, such as "pecuniary interest," which will be difficult for the little man to understand.

When it comes to borrowing on his life insurance and cash surrender values, caution him that money borrowed this way is seldom returned.

Explain it to him, but do not encourage him to borrow in this fashion.

These two features of life insurance, which are as basic as bread and butter, are often unknown to the small businessman. The knowledge does relieve a great deal of anxiety in the mind of a small man who is also the pater-familias. *It should be stressed.*

COURSE CONTENT	TEACHING SUGGESTIONS

ACCIDENT AND SICKNESS INSURANCE

To give you an idea of how big this is, the Health Insurance Council, a central source of information, says that medical insurance paid out $3.4 *BILLION* dollars in a recent year, and this amount is expected to increase substantially this year, and also in every succeeding year.

You, as head of a small business, or as a father *AND* head of a small business, would be in serious trouble if you were hospitalized. Not only would you have to close up shop and receive no income, but you would also have to pay very large hospital and doctor bills.

Ask your students if they are covered. Explain what minimum Blue Cross coverage entails and why it is insufficient for the little man. He MUST *have major medical and* LOSS-OF-INCOME INSURANCE. *Of course it is expensive, but explain in very graphic terms how* DESTRUCTIVE *it is to his family to have* NO INCOME *in case of accident or illness.*

Don't scare'em. Just tell 'em!

DISABILITY CLAUSES IN LIFE INSURANCE

Since 1896, life insurance contracts have had disability clauses. You should check your policy to see if you have one, for it is a self-defeating thing. What it does, should you become disabled, is pay you benefits from your insurance; but it leaves nothing for your dependents.

You should see your broker on this and work out a policy that will avoid this situation.

Assume, for instance, that you have a $20,000 policy and that you have an accident that prevents you from working. If your disability from the accident lasts long enough, all of your $20,000 will be eaten away, and there will be no death benefit for your family or heirs.

Make sure that your disability clause in the policy reads that you will get a monthly annuity if you are disabled, but *WITH NO DEDUCTION FROM THE FACE OF YOUR POLICY*.

From this point alone you can see how important it is to have a broker who will protect you.

How far should you go in explaining disability clauses?

As you well know, you can spend the entire session on this aspect alone.

We suggest you mention it, then explain it, but without going into the intricacies of it. Otherwise you'll bog down in a mass of details.

What you really must do is emphasize to students that they must choose a good broker, and let him explain all the fine print to them.

You should provide general guidelines--not fine details.

COURSE CONTENT | TEACHING SUGGESTIONS

MAJOR MEDICAL INSURANCE

Would you believe that the estimated medical bill of the American people is *TEN BILLION DOLLARS*, and is still rising?

To meet this need an insurance company in 1948 started writing a policy with an initial deductible amount of $300 (to reduce small claims; that is, you are not covered for the first $300 worth of medical care). After that, the insurance company was responsible for 75 percent of the bill, and you, the insured, had to make up the other 25 percent.

Nine years later, the number of people who sought this coverage grew from the initial few thousand to *13 million people*.

But remember, if your hospital bill was $2,000 (and that is very little these days) *YOU WOULD STILL HAVE TO PAY $725.*

Speak to your broker. He may be able to show you a method whereby you can buy added insurance (at an added premium, of course) to reduce this amount. For when you are sick, and broke, you cannot stand any extra expenditure. You must provide for any contingency *IN ADVANCE*, while you are active and healthy.

As we have remarked before in these pages, the job of a teacher is to know the line between tact and firmness.

You cannot frighten your small businessman too much; nor should you make him too anxious.

Still, if he ever does become ill, and you have influenced him in this course so that he covers himself adequately, he will thank you for the rest of his life.

Chances are that some day in the future, Medicaid and Medicare will help him during his time of illness and disability. But be realistic. Until that time comes, the small businessman will have to seek his coverage from commercial insurance firms.

WORKMEN'S COMPENSATION INSURANCE

If you are a small businessman in New York State, (generally speaking) it is mandatory for you to carry this type of insurance, if you have one or more employees.

If your employee suffers an accident while in your employ (even if you send him outside your business establishment to run an errand or make a delivery) or if he contracts a disease arising from his employment, *you are liable.*

Inspectors employed by the New York State Department of Labor periodically check your premises to see that your Workmen's Compensation insurance certificate is prominently displayed--often several

There is very little to add to this piece of information on Workmen's Compensation. Just tell the class that it is necessary, explain why New York is ahead of every state in the union on this one--and let it go at that.

languages are required--so that there will be no question in anybody's mind as to who is liable for what.

Don't even begin to think of fighting it. Just get it--and display the certificate.

If you do not, you are liable to a substantial fine, or in some cases, arrest and jail. This is one of the prices you have to pay to do business in New York, the most progressive state in the union.

SOCIAL SECURITY INSURANCE

On August 14, 1935 the Social Security Act became a law of the United States. Since then it has been amended several times. Briefly, it provides aid to the old, to the unemployed, to dependent children, to the crippled, the blind, the disabled.

The main point here is to emphasize that EVERYONE-- *even the small, self-employed businessman--is covered, and he must pay into a special account the amount necessary for himself, and his employees, if he has any.*

At the beginning, self-employed people (like the small businessman) were not covered by the provisions of this law. However, as time went on, it covered everyone. Today, even if you are self-employed, you get coverage.

Any attempt to withhold funds, or use them improperly, is criminal, and the punishment is severe.

Your employer deducts a specified percentage from your salary. (If you are self-employed you must fill out a form and pay the Federal Government a *higher* percentage.)

Unemployment benefits are paid by the State, not the Federal Government. In this instance the employer *only* pays a specified amount of tax. Benefits do not accrue until the employee has been unemployed for a stated period.

It's a real temptation to the small businessman to try to avoid this payment. He may figure he can get away with it. Instruct him in no uncertain terms, that he cannot.

FIRE INSURANCE

In New York State insurance brokers use what is known as the *New York standard fire insurance policy.*

Of all the distortions presented by TV and the movies, one of the worst is the businessman who sets fire to his place of busi-

It has several provisions which must be fulfilled.

1. The insurance may not be for more than the extent of the interest of the insured in the property. In other words if your business and inventory are worth $25,000, you cannot insure them for $50,000.

2. The policy is void if there is concealment or misrepresentation of material fact, which simply means that you cannot overstate your inventory or other possessions. The insurance company will pay only what they assess your property loss to be.

3. A sole owner has an interest in the property to its full value. But joint owners (that is, several partners) can recover only in proportion to their shares.

In the standard fire insurance contract there is a very interesting clause: "This policy shall not cover accounts, bills, currency, deeds, evidences of debt, money, or securities; nor, unless specifically named hereon in writing, bullion or manuscripts."

Why is it there? All the items listed above could have been easily removed before a fire, and then claimed as lost in the fire.

It would be very hard to prove, to a court's satisfaction, the exact amount of money destroyed in a fire.

There are ways to insure accounts-receivable money, but a standard fire insurance policy is not one of them.

In other words, rely on your broker. Pick a good broker. Don't think you can fool the fire insurance companies. They have heard every story at least once, probably twice.

ness after having insured it for an inflated amount, then collects his insurance money and lives happily ever after in Florida.

Insurance companies are not that naive.

Point out to your class that the insurance companies which specialize in fire go through a very intensive investigation, after a fire loss.

While there are some shady brokers, most are honest and try to do the best they can for their clients. But every dollar of loss must be supported by facts, not fiction.

You might also suggest to your students that if they have sprinkler systems, or adequate fire extinguishers and other fire guards, they can get their insurance at a much cheaper rate.

For most small businessmen insurance is apt to be a dull subject.

It is your job as a teacher to keep your students' interest high. That means you must introduce some interesting material, pertinent to the course, and yet colorful.

Fraud and arson in fire insurance is always a lively topic. Discussion of the clause on the left will give your class an insight into the thinking of the insurance companies.

COURSE CONTENT	TEACHING SUGGESTIONS
	Keep moving right ahead. It'll keep things lively. No teacher can teach a bored class.
MISCELLANEOUS INSURANCE FOR BUSINESS	
While you as a small businessman may not need all these various forms of insurance, it's worth while to know they exist:	*You should cover some of these types of insurance even if they don't seem directly pertinent to the problems of the small businessman.*
SPRINKLER LEAKAGE INSURANCE--An accidental discharge can destroy your inventory.	*They are interesting of themselves and they also serve to broaden the student's view of the world of business.*
WATER DAMAGE INSURANCE--This is protection from boiler breaks, snow or rain getting in, an overflow from tanks.	*They might also spur him to look at his own business in a new way.*
VALUABLE PAPER INSURANCE--Only you know the value of your own papers, and you can buy coverage to protect them.	*The students could get this same information from a broker, but they would always suspect that he was trying to sell them insurance. They know that you, as a teacher, are only interested in enlightening them.*
BOILER AND MACHINERY INSURANCE--This is important if you own your own establishment. A broken boiler in the Christmas season could cost you a fortune.	*The primary message is that "insurance is security," and not just an added expense.*
GLASS INSURANCE--This covers you on anything that could conceivably break your windows or mirrors--vandals, heat, racketeers.	*Small businessmen are unaware that many of their worries can be eliminated just by buying insurance.*
NUCLEAR ENERGY INSURANCE--This sounds weird, but one day you may be using a nuclear-powered device, and the insurance company will write insurance for it.	*What they avoid in sleepless nights should be worth something to them.*
OWNER'S TRUCK POLICIES--You should cover yourself for collision, liability, fire and theft etc., but also you should insure the merchandise your truck carries.	*Most small businessmen don't even know about this one. A firm that has a great many parcel post problems will find this a must.*
PARCEL POST POLICIES--You can avoid standing in line at the post office every night to insure your packages by buying this kind of insurance from a	

commercial firm. And when you deal in large volume mailings, the cost is less than postal insurance.

SALESMAN'S SAMPLE FLOATER--This low-cost insurance protects your merchandise, whether you're an independent salesman or have salesmen on the road.

PROPERTY FLOATER--This covers property that is constantly moving or changing in value. Thus if you take merchandise to the homes of your customers, you should investigate this coverage.

FURRIER'S CUSTOMERS POLICY--With this, furriers, dry cleaners, laundries etc. can protect merchandise in storage or moving to and from the storage area. This is low-cost insurance and can be included in the price; and everybody--you and the customer--has peace of mind.

INSTALLMENT SALES FLOATER--For anybody who does business on the installment plan (and who doesn't?), this is an important policy. It protects the goods against loss, theft, fire, It's a must.

DEALER'S BLOCK INSURANCE--This covers property brought in by your customer to be repaired, altered, or cleaned, and can include your own property. It applies to jewelers, furriers, dealers in cameras, musical instruments, tools, sporting goods, marine supplies, etc.

BURGLARY AND HOLDUP INSURANCE--If you do business in an area where this is a problem, then protection is essential. Otherwise you can be burgled or robbed right out of business. Your broker will explain the provisions, which include registering a complaint with the police as soon after the crime as possible. A second major point is to carry enough insurance so you aren't tempted to argue with the man behind the gun. Your life is more valuable than your merchandise.

Most of the policies on this page are self-explanatory. But the burglary and holdup insurance calls for some discussion.

It's often difficult, for instance, to get such coverage in some areas, due to the high risk involved.

You should explain that UNDER NO CIRCUMSTANCES *should the businessman grapple with a holdup man or burglar.*

The intruder might be under the influence of alcohol or drugs; he might be extremely nervous and capable of extreme violence.

Any student who does business in a high-risk area must have it driven home to him that he takes his life in his hands when he resists an intruder.

Your class could get into a really interesting discussion on this matter, especially if anyone in class has had personal experience with a burglar or holdup man.

COURSE CONTENT | TEACHING SUGGESTIONS

LIABILITY INSURANCE

Basically, liability insurance is carried to cover you for what might be interpreted--legally--as "negligence" on your part.

Again the problem is not to confuse your student, but to show him the many different ways in which he can be covered.

Negligence is a technical term that many generations of lawyers have fought about.

The important thing to stress is the comprehensive insurance policy.

But any business action exposed to legal liability should be covered by insurance, such as those below.

You should make sure no one leaves your class without understanding the need for the comprehensive.

OWNER, LANDLORD, AND TENANT LIABILITY--If you own or rent a business establishment you should be covered for accidents. For example if a customer slips on the floor, falls on an icy stoop, or injures himself on a counter or desk, you, as the management, owner, or tenant of such premises, are considered legally liable. Buy insurance and let the insurance people who have much more experience, and plenty of lawyers, worry about it. But *make sure you are covered.*

Discuss liability and negligence in terms a layman can understand. If you get too technical you will lose your student. So relate it to real life situations.

For example, you might ask your class if anyone has had a customer slip and fall while making a purchase.

If one of the students has had, then there is probably a very interesting human interest story behind the incident.

Or perhaps a student has heard of such a thing happening to another businessman.

Encourage conversation such as this, for it keeps the students alive and interested.

ELEVATOR OR ESCALATOR LIABILITY--Any machinery presents a hazard. If you have such equipment on your premises, open to public use, *EVEN IF YOU ARE JUST A TENANT* and not the owner, make certain you are covered.

PRODUCT LIABILITY--This should concern the manufacturer more than it concerns the seller. But if you are the seller of an item that causes injury of any kind to your customer, you will be sued along with the manufacturer. See your broker and ask his advice.

COMPREHENSIVE GENERAL LIABILITY--This covers damages or bodily injury caused by accident. It is a blanket policy that covers other items discussed in this chapter. It is, in many ways, an "all risks" coverage *AND IS A MUST FOR A SMALL BUSINESSMAN!*

STOREKEEPER LIABILITY--This is a special policy written for the retail storekeeper.

It covers many aspects of the retailer's liability problems and is recommended. Ask your broker.

PROFESSIONAL LIABILITY--Doctors, lawyers, accountants, insurance agents, optometrists, beauticians, and other professional people sometimes make mistakes that involve them in lawsuits. It is very wise to be protected.

If you have a professional person, or someone who operates a service business, in your class, emphasize this section.

AUTOMOBILE INSURANCE

The automobile is used so much in American life that it has been facetiously predicted that future generations will be born without legs, so little used are they nowadays.

It is important to your business and to your personal life to know all you can about automobile insurance.

In New York State, car insurance is *COMPULSORY*. In order to register your car you must prove that you are covered to specified limits for property damage and personal injury. If your insurance lapses, your right to drive will be suspended.

No one may operate a car without insurance, but some drivers who have had a number of accidents find it difficult to get coverage. The insurance companies share this burden by means of a quota system--spreading the bad risks around--an arrangement prompted by state legislation.

Now let's take a look at the various kinds of auto insurance that are available.

Here is one part of the course that will get all the attention you want.

The automobile culture in America is a phenomenon of our affluence that stuns many foreign visitors. And, being a major part of our economic future, is so full of complexities that the average man isn't aware of.

The need for these laws or insurance can be highlighted by explaining the situation that existed when there were no compulsory laws. For example, an innocent victim of an accident was wiped out financially, and had no recourse, since the driver who caused the accident wasn't insured and had no money that would make an independent lawsuit worth while.

FAMILY AUTOMOBILE POLICY--This is only for individuals who operate private passenger cars and small farm trucks. If you do not fall into this category, you cannot buy it.

Your small businessman must be advised to tell his broker what and how he uses his private car in the course of his business.

STANDARD AUTOMOBILE POLICY--Adopted in 1943, this is used for all cars *EXCEPT* private passenger cars of individuals, and it may be adapted to suit different contingencies.

Such cases involve a special classification for private passenger cars, and the rates are different.

COURSE CONTENT	TEACHING SUGGESTIONS
AUTOMOBILE COMPREHENSIVE POLICY--For all cars an individual or a business owns. Its advantage is that it covers *ALL CARS* owned, hired, or temporarily borrowed.	*If he doesn't have proper coverage and has an accident while on business, and is only covered for ordinary non-business driving, he's got trouble.*
SCHEDULE AUTOMOBILE POLICY--This covers bodily injury and property damage; also physical damage to specified cars--the rates depending on whether the car is owned or hired.	*The problem, as usual, is that the small businessman, pressed for money, thinks he can fool the insurance company by telling them that the car he uses for business and pleasure is used just for pleasure. One serious accident will prove to him that honesty is the best policy.*
GARAGE AND DEALER POLICIES--This is for the automobile people who service car owners. Public and automobile liability are included.	
COMMERCIAL VEHICLES--This policy covers: pick-up trucks, sedan and delivery-type cars and trucks, truck-type trailers. Private cars used for business purposes are treated under a special classification.	

THEFT INSURANCE

Before 1890 this was not a big part of the insurance business. About that date, it became a very large and growing area for insurance people.	*Students will discuss this issue as if they were Supreme Court judges.*
In order to understand it, we must define some terms for you.	*The reason is obvious: with burglaries increasing in number, almost everyone has a personal story to tell, either about himself or a close friend.*
BURGLARY: Forcible entry into premises with the intent to steal. In a stock burglary policy it is the act of "any person or persons making felonious entry into the premises by actual force and violence when the premises are not open for business, of which there shall be visible marks made on the exterior of the premises at the place of such entry by tools, explosives, electricity or chemicals."	*By all means encourage this. Their interest in class will intensify as they participate personally in discussions.*
ROBBERY: The taking of property from a person by threat of force or actual force. It is the word that is generally used by most of us when we say a "holdup" has occurred.	*Today, with the issue of "law and order" becoming more and more important, the little man has developed some unfounded ideas of his own. There is no reason*

THEFT: This is a general term covering all acts that include the illegal taking of a person's property.

FORGERY: The crime of altering or counterfeiting written papers with an intent to defraud.

why you cannot encourage class discussion on this, then correct the obvious misunderstandings.

With these basic definitions in mind, we can turn to what the insurance companies offer as a means of coping with this perennial problem:

MERCANTILE STOCK BURGLARY--This policy provides for payment for loss of merchandise by burglary. It generally covers all property in a store or warehouse, including goods or property on loan, or not fully paid for; but doublecheck your broker to make sure such a clause is included in your policy.

You should stress the difference between "inside" and "outside" theft insurance.

MERCANTILE THEFT INSURANCE--This is generally covered by an endorsement, or addition, to a stock burglary policy. Shoplifting is covered only if there is evidence. In stock inventory loss that may have been committed by an employee, or an inside man, you have to prove it. One thing you must do is take physical stock inventory once a year. In general, theft is difficult to prove. You just can't say you have had a theft. You must prove it.

There is a difference of opinion on these meanings, even in the minds of top executives.

But that gets into fine points that needn't concern your students.

The main point is: simplify.

Thus if you suspect an employee of stealing, you must catch him in the act, with stolen merchandise on him, *OUTSIDE* your premises, and with witnesses. Otherwise you can be sued for false arrest.

Knowing this, many employers simply fire a thieving employee, feeling that the time taken to prove a case in the courts is too valuable.

BUT YOUR INSURANCE COMPANY WILL NOT PAY OFF UNLESS THERE IS LEGAL EVIDENCE.

OUTSIDE ROBBERY or *MESSENGER ROBBERY*--A messenger can be the insured or a partner, an officer or regular employee authorized to take property outside the premises.

Here again you must remember that you are not going to teach your class any legal complexities. Nor are you going to make insurance experts out of them. What you should do is to give them an overall point of view--and also the knowledge that they must appeal to their insurance broker for more detailed breakdowns of the different kinds of insurance policies available.

INTERIOR PREMISES ROBBERY--This is robbery inside the premises from a custodian. A custodian is the insured, or a partner, officer, or other employee authorized to have custody of the property. It excludes watchmen, porters, and janitors.

PAYROLL ROBBERY--This policy covers theft of money or checks intended for payroll purposes, whether inside or outside the premises. But it must be taken from a custodian who is regularly engaged in payroll duties. If your bookkeeper is your paymaster, and he is robbed on the way to or from the bank, you are covered. But if it's your janitor, you may have a very tough time collecting, unless payroll work was a regular part of his duties.

There is hardly any risk, no matter how special, that is not covered by some form of insurance. Make sure your class knows that.

MONEY AND SECURITIES POLICY--This is to protect you against loss, destruction, disappearance, and wrongful abstraction by dishonest *NONEMPLOYEES*. Destruction means fire, rainstorm, explosion, and so on. Disappearance means without visible means of force entry. Wrongful abstraction means the taking of money or securities from the custodian by any illegal means--that is, even if force is not used. *LOSS IS NOT COVERED IN THIS POLICY IF IT IS CAUSED BY ACTIONS OF AN EMPLOYEE*--remember that in buying this policy. Later we will discuss employees.

OFFICE BURGLARY AND ROBBERY POLICY--This one is for real estate accountants, doctors, and so on, *WHERE NO MERCHANDISE IS INVOLVED*. It generally covers most forms of inside *and* outside robbery.

COMMERCIAL FORGERY POLICIES--Strange as it may seem to you, banks are not always held liable if someone forges or changes a check of yours, and they cash the check for him. If the bank can show that you, the customer, were negligent, it doesn't have to make good. Sometimes the loss is broken up 50-50 between the customer and the bank. And sometimes, even if the customer wins his case and the bank does make good, the customer is

Most businessmen believe that if someone forges a check, or changes the amount, that the bank will immediately make good. But not so.

The logical recourse then is forgery insurance. The businessmen who alienate their bankers by fighting them in court over a forged

left with bad relations with his bank. So it doesn't pay in the long run.

So it is wise then, to get forgery insurance, and by paying a fair premium, to have the insurance company make good should a check of yours be forged.

check, will probably find their credit with that bank is nonexistent the next time they need a loan.

FIDELITY BONDS

Though technically not insurance, it is important to know that there is a safeguard you can buy for your business if you need it. It is called a *FIDELITY BOND.*

It is a contract, made with a bonding company, in which an employer who sustains losses due to the dishonesty of an employee who is *COVERED IN THE CONTRACT IS REIMBURSED BY THE BONDING COMPANY.*

It is usually used in cases where you have an employee who handles large amounts of cash, the loss of which might wreck your business.

Chances are that not one in ten of your students will ever get involved in fidelity bonds, but you should cover the general reasoning behind them.

Sometimes, however, a small businessman should bond some of his employees who are cash handlers--for obvious reasons.

Remember, you are not teaching law. You are trying to cover the general area without getting too technical.

SURETY BOND

This is also bought from a bonding company and deals with failure of a second party to act as required, or agreed upon. It need not involve the element of dishonesty.

CREDIT INSURANCE

Most business is done on credit.

In other words, if you are dealing with customers who may not pay for 30 or even 120 days, you should consider credit insurance. Your accounts receivable should represent a conservative amount of your entire business capital. Extending credit too generously has destroyed many a small businessman. This insurance might be worth buying if it's not too far out of proportion to your net profit.

REMEMBER! INSURANCE IS NOT AN EXPENSE. INSURANCE IS SECURITY.

Here is a growing field of insurance, sure to keep on growing as the entire business area expands.

Sometimes, it is wise for even the little man to discuss credit insurance with his broker. The premiums are not that big.

At any rate, it's worth going over the ground with him.

SUMMARY

BUSINESS INSURANCE

1. Insurance is not an expense, insurance is security--a wall behind which a small businessman can operate.

2. Both fire and life insurance illustrate the basic principle of insurance --the principle of adequate protection against unforeseen emergencies.

3. Always deal with a *LICENSED INSURANCE BROKER*, licensed by the State of New York--who in turn, deals only with *ADMITTED INSURANCE COMPANIES*.

4. Understand the basic principles of life insurance beneficiaries as they relate to life insurance on your partner or other associates, in order to provide for the *CONTINUANCE* of your business.

5. Should you die, *your widow* must be protected. Life insurance is one of her basic protections.

6. If you are a one-man business, make sure you have enough *medical insurance* to insure the continuance of your business. Although the premium may be high, it is a *NECESSARY* form of business expense.

7. Make sure you are covered by workmen's compensation insurance if you have employees. In New York State, this is *mandatory*.

8. Understand the basic provisions of Social Security and Unemployment Insurance as they affect your business, and the periodic contributions *YOU MUST MAKE*. *EVERYBODY* must be covered by law, even a sole proprietor, working alone.

9. Have a long talk with your broker about *fire insurance*. It is not as simple as it may appear. See if there are any variations you must use for your business.

10. Make certain you have *COMPREHENSIVE LIABILITY INSURANCE*, *GLASS INSURANCE*, and other basics. Your broker will explain all the provisions.

11. If you use your automobile both for private and business traveling, ask your broker about the special kind of *AUTOMOBILE INSURANCE* you need. If you have a large or small delivery truck, make certain you are covered against any contingency.

12. When it comes to *theft insurance*, you know how high a premium this entails. But you must have it to protect yourself.

13. Make sure you understand the difference between "outside" insurance and "inside" insurance to protect your business.

14. Employee theft and forgery can destroy your business. People are always tempted. If merchandise or cash can be stolen, it is up to you to protect your property.

15. Look into *credit insurance* with your broker, if yours is a business where overextended credit might ruin you.

16. Plan for insurance to cover you in every aspect of your business life. *INSURANCE IS NOT AN EXPENDITURE*. Insurance is *SECURITY!*

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Also see page 96, *Other Teaching Materials*.

4

EMPLOYEE AND PUBLIC RELATIONS

PART I: PUBLIC RELATIONS

COURSE CONTENT	TEACHING SUGGESTIONS
Throughout this series of lessons we are asking you, the student, to assume many different roles. If you were the head of a mammoth corporation you would have a vice president for public relations. But you don't have such a person, so let's see how you would go about doing it.	*Many will tell you it is impossible to teach an unsophisticated small businessman the art of public relations. That is not true. It is hard, but not impossible.*
OBJECTIVE First, we must define the objective. You must give your customers, neighbors, friends, suppliers, and everyone else who comes into association with you, an image of yourself and your business. It should be a good, clear image showing you in the best light possible. Every big department store, every corporation tries to do this. They employ many people in such an effort, but *YOU MUST DO IT ALONE*.	*Start out with something he can relate to--his stationery, his displays, his wrapping paper. From these everyday objects you can go on to more sophisticated concepts.* *You might collect shopping bags with store names on them; or different types of wrapping paper with firm names or odd designs; or unusual stationery.*
TECHNIQUES 1. Make your store or office displays, stationery, and wrapping paper very appealing. 2. Make your store friendly by having a pot of coffee on the stove in the wintertime, and a cold drink, lemonade perhaps, in the summertime. The cost will be recovered many times in added sales. 3. Have your local printer print your stationery, your receipt forms, your sales slips with a stock engraving, if he has one, or with a saying like:	*Explain the virtue of the coffee pot to the small businessman. He sees it as an expense, and he will argue that he is not in the restaurant business.* *To prove your point, bring in some cups and actually brew a pot of coffee in class.* *Give a cup to each student.* *While they are having their coffee you can explain why*

THE JOHN JONES STORE
12 MAIN STREET
MAINTOWN, NEW YORK

"The Store Where You're Treated As A Friend and Neighbor"

it is easier to discuss AND SELL *over a cup of coffee. For a five or ten cent investment per customer, sales will go up. Most of them will see and* TASTE *your point.*

It is most important to give this picture of yourself. In this you have an advantage over the big stores and firms. You are small enough to mean what you say, and close enough to your business to practice it.

4. Your wrapping paper is part of your image! Corny but true. If designing your own wrapping paper is too expensive (and before you say yes, ask your paper salesman) then try to find a stock paper that is unusual. Every wrapped package that leaves your store is a working salesman for you. *AND BROWN WRAPPING PAPER IS DEFINITELY NOT AN INSPIRED SALESMAN!*

One of the things you must do as a teacher is prepare for your class. Come in with samples of wrapping paper you have collected from stores in the area.

This SHOW *and* TELL *method is an effective way of teaching.*

5. Keep your displays fresh and interesting. A doctor may not be able to advertise, but he conveys his concern with your health by keeping his office spotless, by having his receptionist dress in white, like a nurse, and in other small ways keeping you aware of his high professionalism by means of appearances. So also, you must keep your display window, your office or your store, clean and orderly. It must be up to date by reflecting the season, or the new merchandise and service you are offering. If your business doesn't lend itself to such displays, why not borrow some posters from your local travel agent? Dress up your business. Everyone likes to look at pictures.

LOCAL AFFAIRS AND NEWSPAPERS

Every city or village takes pride in being known for something special, or in celebrating some annual event. If it isn't high school graduation, or a 4th of July parade, it's Kiwanis Week, or the

Explain to your students how a newspaper operates.

Show them the difference between a good news story

COURSE CONTENT	TEACHING SUGGESTIONS
Town Fair, or the birthday observance of the town's most famous citizen. Your store, with profit, can reflect all of these observances. Display posters and pictures of these events in a prominent way. Don't hide them behind the merchandise.	*and a bad one--written about a newsworthy topic.*
If your store or firm is in some way singled out--or if you can find some way to make this happen yourself--by all means invite the local newspaper to take a picture of whatever it is that you deem newsworthy. It won't always happen that the editor of the paper responds enthusiastically to your suggestion, but he well might; and if he does, then the publicity will help you. Now no newspaper is going to print a story that "The John Jones Store has just received a new shipment of towels." But if someone honors you for a civic achievement, if you are a recipient of a *NEW LINE* of merchandise ("The John Jones Store has been named to represent Dior Footwear exclusively in this city,") then this might be an item for the newspaper's business page.	*Then show them how even a not very newsworthy event can be made into news with a little imagination. Your daily papers are full of such achievements by businesses.* *A visit to your class by a local newspaper man, or the editor himself, would be very helpful. Newspapers sometimes do this as a form of public relations.*
The story must be of general interest, however. The newspaper is not in business to help you make a profit. It is out to report the news of the community. Your story *MUST HAVE NEWS VALUE OF SOME SORT*, or you won't stand a chance of having it printed.	*Try writing a release about the class you are teaching to show the basic elements of a news story that will appeal to a city editor.* *Impress on the students the importance of accuracy where names and titles and addresses are concerned. If you contribute to an error in print that embarrasses someone, the editor will not be likely to trust your next release.*
PREPARING A NEWS STORY	
Don't say you can't do this. Try.	*The best way to do this is to bring in a copy of the local newspaper for every student in class. Since you will have from 15 to 30 students, the cost will not be too high.*
There's no mystery to it. Let's take a Boy Scout story as an example of *SOMETHING NEW* in your store or firm. (It might be an exotic new jar from India, it might be a demonstrator showing a new kind of girdle. But we'll say it's the Boy Scouts who honor you.) Here's how you should handle it.	*And if you send in a receipt, you will be repaid. But make sure* EVERYONE *in class has a paper.*
Take a picture of the Scout representative presenting you with this special emblem. Try to have some sort of action in the	

picture. Static photographs stand little chance of seeing the light of day.

Then point out certain news stories to show how they are written and illustrated.

Write a small story to go with the picture. Write a *CAPTION* to identify the people in the picture and to tell what they are doing.

There is nothing more effective than working with real material that actually relates to your class. USE REAL MATERIAL AS MUCH AS YOU CAN.

Here's a sample *PICTURE CAPTION:*

> JONES STORE HONORED--John Jones, center, proprietor of the John Jones Store of 61 Main Street, is presented with the emblem of Honorary Scout for his efforts in helping the Boy Scouts collect used Christmas Cards--a Scout project for the Home for the Blind. Presenting the emblem to Mr. Jones are Harris Brown, left, Maintown Scoutmaster, and Eagle Scout Edward Smith, right.

Note that the people are all clearly identified--left, center and right. If an editor doesn't know who is who in the picture, he may just toss it out. He may not have the time to call and check it out. Thoroughness is absolutely essential in any release you send to the paper.

WHERE TO SEND YOUR PICTURE OR STORY

On most newspapers the *CITY EDITOR* handles the local news. You should drop it off with him, or with anyone at the *CITY DESK* who represents him. On smaller newspapers, there may be just one or two people who do most of the editorial work. It might be the *NEWS EDITOR* or the *MANAGING EDITOR*. Just be sure to get it to someone concerned with *LOCAL NEWS*. The same applies if you are mailing your story and picture.

Remember that you are dealing with laymen. The only thing they know about the innerworking of newspapers is what they see on TV or in the movies.

BEFORE CLASS, *find out the name of the city editor of the local paper. Then give it to your students when you talk about where to send the press release.*

A superior way to handle all this, of course, is to invite the newspaper to take a photo of your store or office. Explain the news element to the editor on the phone. If it's genuinely newsy and he has a photographer available, he'll respond. Remember that you're competing with the war, events involving the President, and the latest moon revelations, for space in the paper. Don't be discouraged, but do be realistic.

COURSE CONTENT	TEACHING SUGGESTIONS
ANOTHER GOOD THING TO DO is to set up a town bulletin board in your store or office window. One enterprising shopkeeper has put such a board in his window, displaying photos of local boys serving in Europe, Korea, and Vietnam. The mothers and fathers, of course, supply the photos of their sons, and everyone is talking about the exhibit, and the store. It's been great for the shopkeeper's business and has attracted many people to his store who might otherwise not have come in. It cost him no money, yet it generates good will and creates an image that the shopkeeper can be proud of.	*You have the unenviable problem of teaching the small businessman that he must involve himself in the community, when all he wants to do, all he really has the time to do, is involve himself in his own business.*
	This will take quite a lot of explanation on your part.
	Draw out your students by finding out what their community affiliations are. Get them to talk about the Kiwanis, the Elks, the Chamber of Commerce, and so on.
	Then relate their comments about these clubs and associations, to the business world. You must connect the abstract with the specific.
	Most important, you must show the small businessman that he must become involved in community affairs, for indirectly it will make his business more profitable.
	Don't forget that PROFIT *is the magic word. It will motivate your class to do all the things that are good for them, but about which they are skeptical.*

TO SUM UP

There are numerous ways to show your best side to the public. Good storekeeping, good relations with your customers, a cheerful word, a smile--all these are basic to any businessman's behavior. Likewise, a letter or a card to a customer on his birthday, or a get-well card when he's hospitalized, can show your thoughtfulness, and your thanks for the customer's continued patronage. He won't forget it.

If you have a hobby such as photography, or stamp or coin collecting, you may add some interest to your window or your counter with a display of these things.

Keep in mind that any unusual event that occurs to you as a shopkeeper, or even as an individual, can benefit your business if reported in the newspapers.

EVERY BIG BUSINESS WAS ONCE SMALL. The tradition of the American storekeeper as a central character in any community is still true. One storekeeper became the central figure of the nation, and his name was Abraham Lincoln. You aren't likely to become President. But you can become a widely known and important figure in the community if you run a good business and learn how to convey your quality to the whole community.

PART II. EMPLOYEE RELATIONS

COURSE CONTENT	TEACHING SUGGESTIONS
The people who have studied this subject say that this is the single biggest reason for success or failure in any business. As a matter of fact they call it "leadership." It applies even more in a small business where a man has only one to five employees. Sometimes the boss has only his wife or his son as an employee and that makes it twice as difficult. For the big problem is people--*AND THE BIGGEST IS HOW TO MANAGE YOURSELF*.	*Be prepared for a lot of argument on this one.* *However, encourage the discussion.* *You might open it up by asking them if they have any complaints about their employees. You will get an earful.*
We all know how a successful man, working for other people, often fails when he has to run his own show.	*When they calm down, explain that the problem is not the employee complaint. It is their attitude toward it, and the* WAY THEY HANDLE IT.
We all know the man who gives either too much direction to his staff, which makes them hate him, or too little, which loses him their respect.	*Then show them the right way and the wrong way to handle employees.*
The art of managing, of making people do what you want in such a fashion that they do it gladly, is the most difficult job in business. Because the biggest job is *YOU*. So it is very much worth your while to consider this part of the course very seriously. *AND YOU MIGHT EVEN LEARN A LITTLE ABOUT THAT MYSTERIOUS COMMODITY--YOURSELF!*	*Set up a theoretical question: Jim Brown, an employee, should be in at 8:30 every morning. He has been showing up from 8:45 to 9 o'clock for the past two weeks, each day with a different excuse. How do you handle it?*
Knute Rockne, the legendary football coach of Notre Dame, knew a great deal about football, but he knew even more about what makes people tick. Miller Huggins, who was manager of the champion Yankees in the golden era of baseball, he knew even more about people. He told the Yanks they were champs and he made them behave like champs on and off the field. Even the famous Babe Ruth had to do it Miller Huggins' way.	*Go around the room, asking your students one by one how they would handle such a situation. It will be a good base from which to proceed.*

The point is, your own success is intimately tied up with the way your employees behave. You must be able to provide the kind of leadership that will make them help you achieve success.

Now here you are called on to explain basic psychology to your students.

For example: You are busy with Mrs. Smith and Mrs. Murphy comes in. Your employee, Tom, handles Mrs. Murphy's order and you sense that she is unhappy. She leaves without buying, or buying just a few basic things, and goes to your competitor for the rest of her shopping.

They may not know the word. *But do not underestimate them. They understand the* concept.

Your job is to elucidate, very carefully, the basic principles of industrial psychology.

If you jump all over Tom publicly, you will have alienated him as he has alienated Mrs. Murphy. What you must do is wait for a quiet moment and then draw him out. It may be that he had a quarrel with his wife that morning, or that he lost more than he should in a poker game with the boys, or that he had a flat tire coming to work. In any case you must straighten him out first, lend a sympathetic ear and then when he has your confidence--and you have his--*ONLY THEN* can you solve the problem of Mrs. Murphy. If you're a good enough "coach," like Rockne or Huggins, Tom will volunteer to see Mrs. Murphy on his own time and apologize to her. See what we mean, coach?

This could be the most important lesson you will teach--the interaction of employer and employee.

Even if they do not agree with you, you must make them question their own convictions. If you do that, you have succeeded, at least partially.

THE ART OF COMPROMISE IN LEADERSHIP

Edward Streeter, who retired as vice president of the Bank of New York, writes about how to handle people in an article, *DON'T WRITE OFF WISDOM* in *Life* magazine:

> "The experienced man knows that if he is going to accomplish big things, he must do so perforce, with the assistance of mediocre men, prima donnas, self-seekers and, unless he is unusually lucky, a smattering of idiots. The measure of his success is based on his ability to blend this unpromising amalgam into a working team which will get the job done with a minimum of mayhem. He recognizes compromise as an inevitable toll which he must pay to reach his objective. He is master of the

Be careful on this one. Explain that compromise should be made from strength, not weakness. To compromise requires a mature mind. AND AN INTELLIGENT COMPROMISE MUST BE BENEFICIAL.

Draw examples of constructive compromise from your own personal experience.

oblique approach. He has learned that it saves time to change his course in order to avoid a rock rather than slamming into it head-on."

Set up a demonstration.

Now--let us translate that into an everyday, practical approach.

Let one pupil be the boss. Let the other pupil be the employee.

Let us assume that your employees let clippings fall on the floor, slouch around and mess up the counter, do not put things back in place and generally leave the building or office or store in a general mess when the closing bell rings.

The employee has come in late and has been uncooperative. Let them argue out the matter in front of the class.

You can of course stay until eight or nine cleaning everything up after them--and preparing the shop for work the next morning so that no time is wasted.

When they are finished, ask for comments.

Then sum up, yourself, explaining basic principles.

BUT THAT WILL GET YOU NOWHERE.

The trick, the art, the magic--call it what you will--is to do as follows:

You must assume a very positive stance here, because your students will be inclined to resent your obvious intrusions into the way they do business, and because fundamentally you are attacking their egos.

a) With a smile, in full view of your employees, start to pick up the clippings yourself.

b) Casually--very, very casually, turn and ask, "Tom, would you mind helping me clean this up, please?"

c) Say afterwards: "Tom, thanks a lot for helping me, and would you be kind enough to take charge of this section and keep it clean, please?"

However, you MUST *teach them how to handle their employees well, even if they only have one or two. Remember,* NO MERCY! *This is for their benefit.*

Now this must be done very carefully, so that Tom is not put in a position of kowtowing to his boss in front of the other help. Rather, he has been chosen from among all the others as a more mature, more responsible man.

Of course you must be wise enough to choose the right "Tom" at the right time, otherwise your plan will backfire.

In addition to honoring Tom in front of his fellows, there should be some tangible reward--maybe two passes to the local

movie. *BUT REWARD FOR EXTRA PERFORMANCE MUST BE DELIVERED.*

SOME IMPORTANT DON'TS AND DO'S:

Don't let yourself get so angry over any matter that you blow up completely. Once you do that you've lost the ball game. No one will listen to you. You will lose the respect of your employees.

It is not going to be easy to have your students agree with you on these fundamental precepts.

Don't drink on the job. Don't drink with your employees off the job. Yes this means holiday time, too. You will gain no extra respect for it--and unless you're very good at holding your liquor, you're apt to say things you will regret later on.

Take them one at a time and stimulate class discussion.

You must learn not to show it when you are annoyed by a business situation or a call from the bank for more money. The mood of your employees depends on your mood. As a leader, you cannot afford to show weakness.

Let them tell you why all these rules cannot *be applied in their own businesses.*

When an employee questions your decision, let him discuss it with you--but don't let personal feelings get involved. After all, your personal worth is not being challenged--and don't let it ever get to that. If you keep the discussion on an impersonal level, you may learn a great deal.

Then it is up to you to demolish their arguments and show them that these fundamental approaches can be applied to any *business.*

SUGGESTION: Don't be a nice guy in this part of the lesson. You have bitter medicine for your patient. Make sure he takes it!

If you don't want your employees to take long lunch hours, don't you take long lunch hours. If you want your employees to come in early, you'd better come in early.

Always keep cool--even if an employee questions your thinking, actions, past or present. If you show that you are angry, you lose his respect and your own.

"BOSS, I WANT A RAISE."

This is one of the biggest problems of small businessmen, as many of you know.

When it comes to pay raises you will never find complete agreement. You must take it out of the emotional

How to handle it?

COURSE CONTENT	TEACHING SUGGESTIONS
One way is to tell your employee that his raise depends upon his work. Set a quota in sales for him, then let him surpass it, or fail to meet it, and pay him accordingly. *BUT THIS MUST BE MADE CLEAR TO HIM IN ADVANCE*, so that there is no question as to the ground rules.	*area into the management area.*
	Teach your pupils to look at it as a management technique.
Another way is to tell him that your rules go by the calendar. After one year's employment, he earns a $2 or $5 raise; after two years $3 or $7--or whatever figure makes sense to your budget.	*Tell them how to set up a firm* consistent *policy toward* all *employees.*
	Then make them promise you that they will follow it-- for their own good *and the* good of their business.
A third way is not to have any policy at all, and let the chips fall where they may.	*Encourage discussion. But be firm on this one.*
The third way is worst--because you leave yourself open to an unhappy employee who will find another way to get a raise; sometimes in a way that you will not like.	*No* LARGE *firm can afford rapid turnover. No* SMALL *firm can afford rapid turnover. One of the major pitfalls for the small businessman is this area of pay raises.*
To develop a productive employee you must treat him with the consideration you would demand, should positions be reversed. Large companies have learned their lesson the hard way: To take advantage of all the brains they have bought, and in a small way, play by the same rules. *BEFORE* you hire a new employee, tell him what the score is. You'll get much more cooperation, when and where it counts.	*Do not let your students walk out of class with their* OLD *attitudes intact. Make sure they understand how important this is for the continuity of their business lives.*

SUMMARY

THIRTEEN GOOD RULES

1. Respect yourself. Respect your employees.

2. Make firm consistent requests. Don't be a mealy-mouth.

3. Don't pull rank because you're boss. If there is a problem in your business and your employees want to talk about it, do so.

4. Don't fire people because you can't solve a problem. Don't threaten to fire people. If a person is insecure he cannot function.

5. Don't--on the other hand--hold off and delay firing someone who definitely does not belong in your organization. Make up your mind and do it.

6. Don't discuss with your employee what he did *WRONG*. That will not get you anywhere. First discuss what he did *RIGHT*. Then after you have him listening to you, discuss any errors in a friendly, constructive fashion.

7. Don't always be discussing problems. That's negative. Try discussing what seems to be *A SOLUTION* to a certain problem--and then have the courage to carry it out.

8. Don't put off discussing or acting on something with an employee because it is painful to you. If you're a boss, a lot of things are going to be painful--but that's why you're boss. You've got to do it.

9. If you suspect disloyalty on the part of any employee, have it out with him--and then either get rid of him right away or apologize. *AND YOU HAD BETTER BE RIGHT EITHER WAY.*

10. Avoid sarcasm and wise-guyishness. If you have anything to say, say it like a man, not an adolescent.

11. Don't agree with an employee just to be pleasant. He will sense it, and it won't help your relationship with him. If you disagree, say so in a nice quiet way and explain why you disagree. You will rise in his estimation by being honest.

12. If an employee has a new idea about the business, listen carefully. Don't say "no" just because you've been doing it the old way for years.

13. And finally--remember to treat your employee like a human being who is subject to all the tensions and conflicts and misunderstandings of life. If you approach him with sympathy and fairness (not to be confused with softness) you will get performance and productivity. If you treat him like an employee who depends on you for his living, you will get mediocrity and disloyalty. *HE IS YOUR BUSINESS!*

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Also see page 96, *Other Teaching Materials*.

5

STORE LOCATION AND LAYOUT

COURSE CONTENT | TEACHING SUGGESTIONS

HOW DOES THE AVERAGE BUSINESSMAN SELECT HIS LOCATION?

He may like the town because he has been to an Elks or Rotary luncheon and he liked the people he met at the bar. His wife has relatives there and she'd like to live near them. He likes the recreational features of the town, like fishing, hunting, bowling. He may like the climate. Or maybe he just has a vague feeling in his bones that "this is my kind of town."

All this, of course, is pure nonsense and generally leads to business failure. For example, a town like Miami Beach, one of the luxury vacation towns of this country, is notorious for its many business failures.

A town that may be a wonderful tourist town is not a good business town. Its economy is too changeable and too precarious for a man to risk his future and the future of his family there.

Also, a town built on one industry, with the many dangers inherent in the rise and fall of that one industry, is a dangerous town in which to build a business.

In the past decade, many good towns have become "ghost towns" after big shopping centers were established anywhere within a half hour drive by car or bus. We are living in a mobile age--the automobile has changed everyone's way of life. So don't choose your town with the feeling that you have captive customers. You don't. Not anymore.

You are dealing here with one of the many mysteries of business life. It is called "the right or wrong side of the street."

So many good businesses, as you know, go sour when transplanted (because of a new road, or other change in local government plans) to the other side of the street. Vice versa, a poorly paying business moves to the other side of the street and suddenly begins to prosper. This phenomenon is worth considering very carefully.

On the other hand, many small businesses feel they could do better in a new location, when what they actually need is a different point of view in looking at their own business, a tightening up, or a reshaping of their budgets or goals.

You will find that with proper groundwork, you can get your class to really speak out on this one and have a very productive and satisfying session.

Another important thing to do in this session is to advise your students of the

COURSE CONTENT	TEACHING SUGGESTIONS
Don't be in a hurry to choose a location. Get in your car and ride up and down in different areas. Then get out and walk. Buy a spool of thread here, a cup of coffee there, a pot or pan elsewhere. But do get a feeling of the community in which you propose to earn your living.	FREE *suggestions and advice they can get from Chambers of Commerce, U.S. Government sources, New York State agencies, and many other good, informative sources on "the right location."*
	So your job really, is first to pose the problem, discuss it in a lively and interesting way, and then point out to your students that the answers to their problems are not so difficult, and that they can talk them over with any number of informed people to arrive at a good and rewarding answer.
THE FIRST QUESTION YOU MUST ASK: *"IS THERE A NEED FOR MY KIND OF A BUSINESS?"*	
This is a difficult question for you to answer, because you are too involved emotionally. Since you do not have the money for a good market research team to come in and examine this question for you, there are two people you should go to immediately.	*Perhaps the kindest thing you can do as a teacher is to point out the simple things an ordinary person can do for himself before he puts a dime of his hard-earned money into the town.*
One is the local banker. He is generally a judicious man with years of experience. He has also seen many young businesses try and fail, and many others succeed. He is also the man who has to pass on your loans. Although he is generally inclined by nature to be conservative, you probably would do well to rely on his basic horse sense. Certainly it is worth a few minutes of your time.	*You might begin by telling them the Somerset Maugham story of the beadle who, turned out of his church job because he could neither read nor write, walked up and down the streets and noticed that there was no tobacconist in town. He opened one (the beginning of a chain) and made a fortune.*
The other person to see is the business editor of your local newspaper. He is not basically a businessman, but he knows the town and the people in it. He has the "feel" of the town and can tell you where his people earn their money and why, where and for what goods or services they spend it. He will generally	*The story, although somewhat unrealistic, makes a good point--to find a business for which there is a need not being properly fulfilled.*

balance off your banker's conservatism because he is basically forward looking.

While you are pondering the words of these two men, you should walk around the town noticing the kinds of houses the people live in, how they keep their lawns, the cars they own, the number of kids on the street, the kinds of schools, the bars, the libraries, the churches. You should also check the supermarket to see the price and kind of food it carries.

Prepare to spend *A FEW DAYS* doing this. An hour or two will not help you at all. You must get the feeling of a neighborhood by living in it for a few days. This way you will come as close as possible to an accurate assessment of the area--whether it is good for your type of business.

You might also tell the story of the dairy farmer from upstate, who seeking to get a proper price for his surplus dairy foods, set up a series of Dairy Barns on Long Island and did very well with them on a franchise basis.

But even more important, teach your students to use their own eyes and legs and to walk about the town and see for themselves what kind of people live there.

In addition, advise them to speak to knowledgeable people within the town, such as those suggested on the left. (Add a few more to that list, or ask your class to do so.)

Above all, do not permit them, as small business people, to trust their instincts as to the value of their own business to a town. You must be gentle, but VERY FIRM *about this. It is very difficult to convince the average small businessman that* HE DOESN'T KNOW EVERYTHING.

THE SECOND QUESTION YOU MUST ASK: *"WHAT IS THE INCOME AND PURCHASING POWER OF THE PEOPLE IN THE AREA FROM WHICH I HOPE TO DRAW MY CUSTOMERS?"*

You can generally tell a person's income by the type of car he is driving, its age and its condition, plus the type of house he lives in.

Of course, you'll still be guessing, but it will generally be a well-informed guess.

As a teacher, you can use your discretion in teaching about Discretionary Spending.

Discretionary Spending, as you know, is an economist's term for money that is above and beyond what it takes for a family's basic needs--

For example, if a man is driving a two-year-old Pontiac Tempest that seems to be in good repair, with no bad dents, no flaking paint, and no broken windows, it is safe to assume that he earns from $5,000 to $8,000 a year.

food, fuel, insurance, clothes, medicine, etc. It is the money a family feels free to use for vacations, gourmet foods, sports clothing, fancier cars, trips to Europe, tours of Washington, D.C., orthodontic work on the girls' teeth, and ballet lessons for the youngsters.

If his house is about 20 years old, with a recent paint job, good doors and steps, and with a well kept lawn and one or two good trees and bushes, you might add $500 to $1,000 a year to your original estimate.

A good rule of thumb: One week's wage equals one month's rent, and the annual rent of an owned home is roughly equal to 10 percent of the cost of the house. This information will help you estimate the purchasing power of a man and of his community.

Even economists do not agree totally on what Discretionary Spending is, so it might be difficult to teach this sophisticated concept to your class.

It is only fair to add his wife's income to that. About 50 percent of American women work and contribute their salary to the family's income. If there are very tiny children home (under-kindergarten age), then generally the wife is a stay-at-homer. But if there is evidence that the children are aged six, seven and above, then there is a 50-50 chance she works.

As you know, we are interested in keeping the work in these sessions as simple as possible, because we feel this is not the place for sophisticated concepts.

But that still does not prevent you, the teacher, from trying to help your students understand how to get a "fix" on the purchasing power of their future customers.

At any rate, your local Chamber of Commerce can tell you such things, and so can your local Republican or Democratic leader, because it is his job to know. Add up all this information, and your guess on how a prospective business will fare will be an educated one.

How many small businessmen open hobby shops in areas where the people struggle to survive? How many business people in well-to-do areas offer cheap merchandise and services? Both ways are wrong, and it is up to you, the teacher to show the students how to strike a proper balance.

THE THIRD QUESTION YOU MUST ASK: *"SHALL I OPEN MY BUSINESS IN THE DOWNTOWN AREA, IN A SHOPPING CENTER, OR IN A NEIGHBORHOOD?"*

Let's take these alternatives one at a time, in relation to customer-pulling

With the rise of shopping centers, location becomes

power. A small neighborhood store, by itself, generally draws from a five-block radius. A neighborhood store that is part of a group of, say, 10 stores will draw customers from a distance of a mile and a half. A strip shopping center will draw from a radius of at least 10 miles, or farther. On Long Island, Walt Whitman Shopping Center, according to a recent survey, drew 7 percent of its customers from a distance of 20 miles.

If you are planning on a downtown "Main Street" type of store, you may get customers from five or six miles away. But you must check to see whether you're fighting the large shopping centers. Even a large town like Rochester has had to fight a strong battle against the hordes of shopping centers springing up and taking root outside the town proper. So *BEFORE* you decide on a downtown location, take a long, hard look at the shopping centers. People like to drive to shopping centers where they can park in comfort, shop in a variety of stores and "make a day of it " having lunch with friends. *SO BE CAREFUL!*

Even if you have a service business, such as a barbershop, or a dry-cleaning store, you must be careful before signing a downtown lease. Shopping centers have become a way of life and, as a good small businessman, you must confront the problem they present realistically. *IT IS HARD TO DO BUSINESS WHERE THERE ARE NO CUSTOMERS.*

Do not underestimate the importance of spending as much time as possible walking around and judging the area in terms of customers, their needs, their incomes, the kind of cars they drive, and so on. It's *YOUR* life and *YOUR* business. Think carefully before you make a decision as important as this one. And above all, talk with everybody you can--storekeepers, customers, even school kids. All of them have something to teach you.

as vital to a man as merchandise.

What is the sense of teaching "Downtown versus Neighborhood," when the debate has become "Shopping Center versus Everything Else?"

Anyone whose business it is to travel over the United States cannot help but notice that be it North, South, East, or West, every area has its SHOPPING CENTERS, to which the people gravitate. Main Street, as such, is either dying or dead. It is true there are exceptions, and if the exception holds in your area, then teach it to your students.

But the chances are that the shopping center has taken over in your area too--and you would not be a good teacher if you did not point that out.

Now, the question is: "Can you afford to open or relocate your business in a local shopping center with its tremendous rent?"

Again, you must rely on the economists who point out that rent is the cheapest part of any business.

Translated into more direct terms, what good is a $60-a-month rental, if no customers come your way? On the other hand a rental of $350 a month is not suicidal if you have a large customer traffic.

At any rate, it's a very

academic question. Shopping centers charge rent based on volume. If you do business, a high rent is cheap. If you do not do business, a low rent can drive you out of business because it could be too high in relation to the amount of business you do.

THE FOURTH QUESTION YOU MUST ASK: *"WHAT KIND OF COMPETITION AM I FACING? WHAT KINDS OF BUSINESSES SIMILAR TO MINE ARE IN MY AREA OR IN NEIGHBORING LOCATIONS?"*

The strangest part about this question is that the more competition there is, the more likely you will be to do business, and of a better quality!

It is imperative that you teach the importance of competition as an ASSET *rather than a* LIABILITY-- *because the facts of life bear you out.*

Shoppers tend to shop in an area where there are more than one of the same type of store. Thus, if you are thinking of opening a shoe store, try to establish in an area where there are a lot of other shoe stores. A woman looking for a pair of comfortable shoes for the office or house, a young girl shopping for her first pair of "prom" shoes, a young man looking for a pair of buckled sport shoes that his crowd is wearing--all these people shop where they find a variety of choices. If there are many stores in one area, the shopper is likely to shop that area. It is unrealistic to suppose that the shopper will go to an isolated store in a remote area to shop for shoes. Many a small businessman, unable to pay the high rental of a shopping center, often opens a store on the fringe of that shopping center and draws pretty well. But opening a store far from the center of things will leave you not only lonely, but probably bankrupt.

A few years ago a very good university (Hofstra) ran a survey which showed that there were too many stores and shopping centers on Long Island. History has proved that survey wrong. The good stores and centers keep on growing and prospering. Furthermore, by their very existence, they encourage trade and customer traffic.

Recently, Lord and Taylor announced expansion of its suburban facilities. One expansion area is near other good stores, like Altman's, Franklin Simon, Jensen's, W. J. Sloane's and others. The more good stores, the more competition. The more competition, the more business.

If you are running a barber shop, shoe repair shop, travel agency, liquor store or dry cleaning store, you generally do not fall into this category. Being in a small neighborhood shopping strip can be advantageous to such businesses.

Of course, this is very difficult to sell to the little fellow who lives in dread of another business

But if you are running a general type of merchandising business, then by all means run toward the competition--not away from it. Learn to be as good a merchant as you can. Let the competition learn from you!

moving alongside him and taking away all his customers.

It is your job to show him that if he is running a good business, competition will just improve his outlook--rather than hurt him.

There are many new developments in the business world that are constantly being reported upon in the press. It is true you may not have gone to Harvard Business School, but you can read.

This is a tough thing to teach a group of skeptical small businessmen who feel that they do not have sufficient capital to face competition.

Read trade papers, the Wall Street Journal, Business Week, and other publications which carry news affecting your business.

If you can't find them in the local library, ask the librarian to order the publications for you. They will ordinarily do so. Just ask, and *LEARN!*

If you can convince them that they can turn in a superior performance and then appeal to their bank for more capital, then indeed you are a wise teacher.

By presenting an optimistic viewpoint and by not letting the class run you, you might end up making a few converts.

THE FIFTH QUESTION YOU MUST ASK: *"WHAT ABOUT PARKING, TRANSPORTATION, AND TRAFFIC PATTERNS?"*

These questions seemed easy to answer a few years ago, but no longer. The big stores have been advised, for example, not to even consider an area where there are not enough parking facilities. In Kingston, Newburgh, and Albany, a competent observer can see the deterioration of old established shopping areas, due to lack of parking facilities. Outside the city, shopping centers are getting the traffic and the customers that once belonged to downtown.

Before you start teaching such esoteric subjects as "Analysis of Traffic Counts," remember again that you are not teaching university post-graduates. What you are trying to do is to help the bewildered small businessman try to stay afloat in a sea of rapidly changing technologies, techniques, shopping habits, and economic patterns, to name just a few.

YOU CANNOT CONSIDER A NEW LOCATION WITHOUT GOOD PARKING FACILITIES.

If you can light up the areas where he is groping,

Transportation--which has undergone radical

changes in these first seven decades of the 20th century--is the lifeblood of business. The horses and buggies were replaced by buses and trolleys. After World War II the automobile became the most popular means of moving from one place to another, creating the need for convenient parking. Though public transport will improve in the 70's, the businessman, to be successful, must provide parking for his customers.

MAKE SURE THAT YOUR NEW LOCATION HAS, OR WILL HAVE TRANSPORTATION FACILITIES.

Years ago, merchants would open their stores bright and early. Today, we know that the majority of shopping takes place in late afternoon, evenings from 6 to 9, and Saturdays. Unless you have a unique business, your traffic pattern is very close to this. Check your seasonal as well as your daily, weekly, and monthly count, and then see if this pattern fits with your new location.

YOU CAN'T CATCH FISH WHEN THE FISH AIN'T BITIN'!

MAKE SURE YOU ADJUST YOUR BUSINESS LIFE TO THE TIME WHEN YOUR CUSTOMERS WANT TO BUY.

After considering the location of the store, we must turn to the problems of exterior and interior design--the facade, the selling area, the service area, the shipping and receiving area.

First let's deal with the outside of the store--the first thing the customer sees.

As you know, first appearances are what count most with the majority of people. Therefore, you must consider the outside of your store or place of business as the most likely to impress the customer.

This is true whether you are a small retailer, a large retailer, a professional, or the operator of a service business.

you will have done him a very great service.

He is living in the age of the automobile, of mobile shopping patterns and very rapid communications.

He can not run his business as it was run in 1890--no matter what his own personal taste may be--and expect to survive.

If he is operating on memories of his father's business, or his childhood recollections, snap him back to reality with the stress you put on parking, on new habits of shopping encouraged by greater affluence, by union insistence on shorter working hours, and so on.

Mama no longer shops for the groceries in her neighborhood every day--if she can avoid it.

What she does is to get papa (and as many of the small fry as want to go) to go to the supermarket once a week (usually pay day), via the family car, and shop for a week's supply of groceries for her refrigerator-freezer.

A very successful small businessman has a wonderful formula: "I'm open when the A. & P. is," he says. "They got a lot of brains to figure it out. I'm glad to take their opinions." By the way, he runs a family shoe store!

The most heartbreaking thing to see, for those of us interested in helping the small businessman to survive, is a

COURSE CONTENT	TEACHING SUGGESTIONS
So it must be scrupulously clean--and since that generally means soap and water and plain old-fashioned work--you have no excuse, no matter how small your business is, or how few dollars you have to spend, to neglect basic cleanliness.	*poor, dirty-looking store-front.*
	For this session, you must be an evangelical preacher, rather than a plain teacher.
Also, *DO NOT* keep your store old fashioned-looking. If your store front is more than 10 years old, then it is too old. Your bank will be amenable to lending you money to modernize your store front. Or the store fixture people may finance it for you under liberal terms. Or, in some cases, your suppliers will lend or give you some part of the money for it. You have no excuse for presenting a drooping old face to your customers when a little soap and water, and a sizable loan from any of the three sources mentioned above, will give you a brisk, happy face to show the world, and more important, your customer.	*One of the great banks in the country took its first step up to greatness when its president, during the depression years, visited local merchants and offered to lend them money at very low rates and long terms to modernize their store fronts.*
	The average small merchant or businessman is so tied up with his diverse activities that he cannot think in terms of the most basic one--a warm invitation to visit his store--which means a well-designed store front.
And then, remember to use bright, seasonal displays. Another chapter in this series goes into more detail on window displays and you should attend sessions on it. *BUT* the most important thing to learn here is that you must keep the outside of your store clean and inviting, to get the customer to come inside. If he does that, you've won half the battle.	*Tell your students there are many ways they can fix up their stores. Tell them about their banks and suppliers*--BUT DON'T LEAVE THE SESSION *before you give them the name of the local store-front supplier. If you can't find it in the local phone book, find the largest and look it up there. If that does not contain the necessary information call the National Retail Merchants Association at 1440 Broadway, New York City, and they will tell you. But you will be doing your class an injustice if you do not help them with this very fundamental advice: That they will bring in more and better business with the aid of a new store front, new windows, and new displays.*
Keep these things in mind: Maky your displays timely and fresh-looking. If the moonshot is the current topic of conversation, write NASA, Washington, D.C. for some material that you can use as a display.	
And remember the ethnic groups you serve. Direct your displays to them, too. If you are serving a Greek clientele, perhaps a display of photos from Greece, available from the Grecian consulate in New York City, or from a Grecian travel bureau, would be of interest.	
This requires work on your part, but remember: *THIS IS YOUR LIFE!*	

COURSE CONTENT	TEACHING SUGGESTIONS
	An important point is that a new storefront invariably pays off--and pays for itself in a very short while.
	One small retailer who had been at the edge of despair said that his business upturn began the day workmen came to rip down his old storefront and install a new one.
	Although it was a bitterly cold winter day, he put up a sign: "ALTERATION SALE," and customers who had forgotten about him--plus many new ones--came flocking in!

NOW--THE INTERIOR

Fixtures should be mobile, if possible --that is they should rest on strong, heavy duty casters so you can move them when you want to. It stands to reason that you will want to display merchandise in your store in a different fashion at Christmas time than you will for an End-of-the-Summer Sale. So keep them mobile, and keep your "home,"(your place of business) interesting. By changing the way your store looks, you make your customer think--truly--that you don't want him to be bored with you. Every change will be a new invitation for him, a new reason for him to come into your store.

It is a recognized practice to have the front counter (as your customer passes the door) contain "impulse" or "bargain" items. Again, you are the only person in the world to determine this--since you know your customers best. But this is the accepted way to do it. We advise that you go along with the experts on this one.

It is also a prevailing theory that staple goods should be placed at the end of the store, farthest from the entrance.

A WORD ON VISUALS:

We haven't mentioned as often as we should have that as a teacher, you should be using the chalkboard and other visual aids frequently.

If you don't have a projector and slides to show, remember that old standby, the chalkboard.

As you discuss this lesson, either you, or one of your students should be standing at the blackboard, making the plan of the store or other establishment as you go along.

It will enable your class to follow you more carefully, and contribute to the discussion.

It does not matter that you, the teacher, cannot draw.

COURSE CONTENT	TEACHING SUGGESTIONS
The thinking here is that the customer, coming in to buy the staple goods, has to pass through aisles where other merchandise is on display--and he will buy something he needs (but is not aware that he wants).	*Just a square with a few words in it can indicate what area you are talking about.*
Luxury and higher-priced goods are also placed in the rear of the store--with more space generally given to them. After all, if you want to sell a man and wife a piece of major equipment for their home, a TV, a refrigerator, a living room sofa, or a child's set of furniture, a boat, a snow thrower, a fur coat or a piece of hi-fi equipment--you must ask them to sit down while they ponder this major purchase.	*But it is most important that you do your planning on the board as you discuss it with your class.* *It may be very clear in your mind, but that is not enough.* *It has to be extremely clear in the minds of your students.*
Beyond this, generally behind a partition, or perhaps in the basement, are your alteration shop, your receiving room, your reserve warehouse, your last year's supply of Christmas wrapping paper, and your miscellaneous equipment.	*Pause often, and ask for specific contributions from your class.* *Sometimes it is wise to pretend you don't understand what your student is talking about.* *Invite him to come to the blackboard and explain to the rest of the class what he means.*
AND TO CONCLUDE--MAINTENANCE AND PROTECTION	
When you re-do your store, or design a new store or place of business for yourself, keep in mind one basic fact: anything you specify in the construction should be so designed as to give you simple and easy maintenance. Even though the original cost may be high, it will more than pay for itself later on.	*Every small businessman has his own ideas about maintenance, lighting, heating, air conditioning, and protection against stealing.* *You can open up your session on these problems by inviting a different person in your class to speak about each of these topics.*
Flooring must be strong enough for permanence and for normal traffic, and it must be easy to keep clean.	*You will find that class participation is very healthy.*
Lighting should be sturdy, and recessed, if possible, but it should be more than adequate. General Electric, Westinghouse, or Sylvania will send lighting engineers, free of charge, to help you.	*These are issues that your class has had experience*

COURSE CONTENT

Your store or place of business should be warm in winter and cool in summer, and the air should be filtered and changed every so often so as to insure your customer a comfortable atmosphere in which to shop. All major air conditioning and fuel people have free engineering service.

Material should be fire-retardant, and your premises should have plenty of fire exits and extinguishers for emergency. Your local fire commissioner will be glad to help you prepare for the *FIRE INSPECTOR*, who must approve your store's safety.

But by far, your biggest problem is shoplifting or *leakage*. It doesn't matter if you are self-service or if you have a girl behind every counter. There are petty thieves who can force you out of business. Mirrors conveniently placed can help prevent some of this *leakage*. Constant supervision and watchfulness also help.

We like the idea of the man who bought a TV set for $150 and put up a sign saying that the TV could pick up any shoplifting. He had it wired on a swivel base and it looked very impressive. He says it helped considerably.

Of course a real closed circuit set costs considerably more, but if it saves enough money, it is worth it.

To sum up, you must remember to keep your store clean and inviting. Keep your business *home* lively and your customers will appreciate it. You will feel better for it.

TEACHING SUGGESTIONS

with--and they have learned a great deal from that experience.

But, as pointed out in the previous sections, in spite of what they think, they are not professionals.

So, it is your duty to let them have their say in class and to stimulate their expressions of opinion.

And then lead them to the opinions of the professionals.

There is a great deal of professional help available from the construction trades on engineering problems--and generally it is free, since the companies involved hope they will be chosen to do the work.

The local utility company has experts on lighting, heating, and ventilation.

G.E., Westinghouse, and Sylvania offer free professional advice on lighting.

The local police will send a man to the store to discuss prevention of shoplifting; and any of the cleaning and maintenance equipment men will give your class good advice on what kind of flooring, walls, and other miscellaneous equipment needs the least care.

Only a poor doctor operates on himself. Teach your class to seek professional advice.

SUMMARY

STORE LOCATION AND LAYOUT

1. Selecting a good store location requires outside opinions, weighing of facts, and due deliberation. It is much too important a decision to arrive at by oneself, without proper professional guidance.

2. A survey of the area as to social and economic groupings, as to income and family discretionary spending, is most important.

3. A location in the downtown area, in a shopping center, or a neighborhood is a very vital fact to determine. Rent, while important, must be viewed not by itself, but in relation to volume.

4. Parking and traffic count are basic considerations in deciding on a location.

5. The actual layout of the store should be based on professional opinion, generally acquired for free, and then adjusted to suit your individual requirements.

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Also see page 96, *Other Teaching Materials*.

6

SOURCES OF ASSISTANCE AND INFORMATION

As we come to the final lesson in this series, it is most important for you to stress the basic problems that a small businessman must learn to face:

1. *To define and understand his problem*

2. *To know where to go to get the data he needs*

Now, please remember, within the frame of reference of the small businessman, it is difficult for him to apprehend the problem--much less do something about it--because he has never been trained in professional research.

He is by nature, a loner and a believer in "common sense." He does not know there is a world of information in his local library, or in the hands of his local Congressman. Basically, he is not a reader, nor is he interested in market research. Both these areas are foreign to him.

So you must not be too "highbrow" in presenting this lesson, or else you will scare him away. What you must do is to be casual in your approach--casual yet informative. You must help your student see that he can help his business a great deal by going to the available sources of information and assistance.

It is up to you to be ingenious about presenting this rewarding information. But remember--it may help many a small man to make it. It may be the difference between success and failure. Good luck!

COURSE CONTENT	TEACHING SUGGESTIONS
NEED FOR ASSISTANCE FOR SMALL BUSINESSMEN	
LIMITED KNOWLEDGE	
There is a world of specialization today for every facet of business life; and everyday it becomes more complex for the little man to battle his way through the fog of new regulations, new taxes, new methods for getting and keeping new business.	*A good example for your class would be the problems facing the President of the United States. Explain how he has to choose subordinates who are specialists--a Secretary of State, a Secretary of the Treasury, a Secretary of Defense, and so on.*

COURSE CONTENT	TEACHING SUGGESTIONS
It is impossible for any man to know everything he needs to know in order to run his business expertly.	*Choosing the President as an example establishes for your students that it will not in any way diminish their importance to seek assistance in the operation of their businesses.*
In large businesses, this is simply solved. You either hire the experts you need, or employ them permanently. But in your own business--you, the small businessman--must be a jack-of-all-trades, wearing dozens of different hats.	*Also, it helps establish the principle that they* SHOULD *look for this assistance to increase the strength of their business and to guarantee a better return for their effort. But, this must be done most tactfully.*
You may have some knowledge of accounting, let's say, but you probably are not a specialist in financing, sales, bank loans, production management, marketing, or new governmental regulations.	
In order to do your job properly, you would be wise to seek assistance and advice in any field unfamiliar to you.	
LIMITED TIME	*When it comes to explaining the time element, you should have no problem. Most people complain about how little time they have to do their chores.*
One of the greatest problems you will find in your own business is the problem of insufficient time.	
There are not enough hours in the day to do all your work. Actually, you will be doing so many different jobs that you'll barely find time for lunch, coffee break, or other respites from work that the average office or factory worker feels is his due.	*What they are really complaining about, of course, is their failure to organize their time properly.*
So even if you are an excellent bookkeeper, it is wise to get someone to come in to do your books from time to time, because you are not going to have the extra time to do it.	*One way to help them out is to show your class, on the blackboard, how to make up an hourly schedule, then a daily one, then a weekly one, then a monthly one. Soon you will have them beginning to* PLAN AHEAD, *which is the answer to many of their real troubles.*
Ridiculous as it may sound, especially in your slack season, your time is one of your most valuable assets. Although it may seem wasteful, you must employ outside help. For this frees you to do essential jobs--jobs that only you, as the owner, can do.	*Encourage them to use a calendar pad for jotting down future dates. Show them how to plan ahead by listing the important things that have to be done. For example, all billing should be sent out by the end of*

LIMITED SIZE

If you are starting out in your own business, you have only yourself to work with most of the time.

If you are lucky, your wife will help you, at least a few hours a day.

If you are doubly lucky, your children will also come in to help.

Suppose you have a little money to hire people. Even if you have one employee, or two, or three, the chances are that they will not have all the skills you need. For example, it is questionable whether you would permit one of your employees to buy essential goods for your business.

the month. Buying dates should be established. Time should be set aside for seeing salesmen, and so on.

It is amazing how important the teaching of these basic and simple procedures can be. They make a strong impression on the student because he can relate them directly to his daily problems.

Most of your students will either complain publicly, or beef about it privately--that they are too small to compete with the giants.

It is worthwhile repeating that MOST *of this country's businesses are* SMALL *businesses. The New York State Government is very concerned about the small businessman, as is the Federal Government which has established the ably run Small Business Administration.*

LIMITED MANAGERIAL EXPERIENCE

It is possible that you have been saving money for years, and doing without, in order to establish your own business. And there may be one or even several aspects of the business that you are very good at. But that does not mean that you know all about the business.

Above all, and this is a natural feeling on your part, you do not feel it is worthwhile, budget-wise, to spend money for specialized help.

But, it is really a case of spending money to make money. And although this is a difficult lesson to learn, you will eventually see that this is a money-saving technique, even if it doesn't seem so.

You realize, of course, that the small businessman, your student, finds it very hard to accept the fact that money expended on lawyers, accountants, advertising men, systems specialists, and so on, is worthwhile.

He considers it outgo--a waste--with no likelihood of it coming back to him in increased sales, reduced expenditures, better productivity, or smoother operations.

Here, try using the baseball coach tactic. Even good hitters consult experienced

COURSE CONTENT	TEACHING SUGGESTIONS
For example, if you could pay someone to tell you a cheaper source for your goods, wouldn't that be worthwhile? The same is possible in other areas of your business. You just have to find the right people.	*coaches to show them how to improve, or get out of a slump. The same thing exists in business. That is why giant corporations like General Motors, employ outside management talent. If they can do it, so can your students.*
NEED FOR ASSISTANCE BY BIG BUSINESS	*As soon as you get into this area, you will be told that big business* can afford *outside help, while small business cannot.*
The ocean that separates big business from small business is best illustrated in this area.	
Big business employs dozens, hundreds, thousands of high-priced specialists--lawyers, accountants, marketing and advertising men, banking specialists, foreign trade experts, personnel men, and the like.	*You must scotch this canard from the very beginning by pointing out that big business also has a strict budget--and that any expenditure must be approved by a whole series of company officials. These expenditures have to be justified, no matter how large or small a business is.*
Sometimes, even with this battery of people on the payroll, big business will hire outside management consultants to take an objective look at their business.	
They do this not to *SPEND* money, but to *EARN MORE*. An intelligent man sees his doctor now and then for a physical check-up; big business also consults experts to make sure its physical machinery is functioning properly. Though small businessmen cannot afford to hire management consultants, the basic principle of getting outside assistance is sound advice.	*You can wind up this part of the discussion by asking (through a show of hands) how many men have ever asked their wives, or their children, to a family conference. You will find that most members of your class have had such conferences to thrash out pressing family matters.* *If they have not, suggest that they try it some evening, just to have the experience of hearing "outside" opinion on something they feel they know better than anyone.* *Even if they do not do as you suggest, it will give them food for thought.*

COURSE CONTENT | TEACHING SUGGESTIONS

DETERMINING AID NEEDED

IDENTIFYING WHERE AID IS NEEDED

This could be very important for you, for your business and for your family--discovering the particular area of your business that needs help.

Just as we, as human beings, do not know our own strengths and weaknesses, so does the small businessman err in assessing his business strengths and weaknesses.

If we may go back to the doctor again, consider the diagnostician. This is the man whose job is to pinpoint the part of the body that is ailing, and to decide what kind of help is needed--medical, surgical or psychiatric.

To clarify this position for the class, you might ask each of them where they think their weaknesses lie.

If one student starts, the others will follow. It could make for a most interesting session.

The same thing applies to your business. First you must determine what part of your business needs help.

Is it in sales?
Is it in financing?
Is it in record-keeping?
Is it in personnel?

If you motivate your class properly, this could be a rewarding session. After all, the basic reason they're attending class is because they recognize that they need help. Making them organize their thinking is always important, and a good way to keep things moving.

Or is it a combination of two or more of these? It is your job to find out.

EDUCATION *means* DRAWING OUT *and it is up to you, as a teacher, to fulfill this dictum. Your reward will be in seeing the light of recognition of a principle on your students' faces.*

ASCERTAIN THE KIND OF AID NEEDED

Let's say your sales have fallen off. Do you advertise a big *BARGAIN BEE* and put banners and signs in your windows and throughout the store?

It might be apropos here to tell the story of the small-town grocer who, whenever business was slack, moved his canned goods from the shelf on the left side to the shelf on the right.

Do you advertise in the local newspaper, announcing an *ANNUAL BARGAIN BEE*, and invite people to come in and take advantage of the unusual bargains?

COURSE CONTENT	TEACHING SUGGESTIONS
Do you mail out 1,000 postcards to customers, telling them you have a *BARGAIN BEE* sale?	*He said he did it for two reasons. One, it kept him busy and stopped him from worrying. Two, it always seemed to increase business. He surmised that customers were attracted by his activity and translated his action into the idea of "sale," or surplus, in their own minds.*
Do you clean up the store and try to get more customers by being friendlier and more courteous? All these are among many possibilities. There are other areas of your business where you can apply alternative solutions to correct business ills.	*This might give your students something to think about.*
Like a good doctor, it is up to you to apply the stethoscope, look at your records, ask your wife and friends what they think you are doing wrong in your business. Remember, asking for advice is a sign of *STRENGTH*, not *WEAKNESS*.	THE MORAL: DON'T SIT STILL IF THINGS ARE NOT GOING RIGHT. THEY WILL NOT GET BETTER BY THEMSELVES. YOU, THE SMALL BUSINESSMAN, MUST START THE WHEELS OF CHANCE ROLLING.
DECIDING WHERE TO SEEK AID	*There are two major obstacles in your path. One is that your average small businessman has too much false pride to ask for help. The other is that he feels that he has to hoard his pennies, and so he will not want to spend money for outside help.*
It is always a good idea to get the best help you can.	
A good accountant, a good lawyer, a good advertising or marketing man, a good employment agency that specializes in your field may be the cheapest investment you ever make in your life. And some of it may cost you nothing at all!	
For example, your local Chamber of Commerce, Kiwanis, Rotary, or Lions Club may have on file an individual who has retired from business.	
Successful, retired businessmen often enjoy counseling younger, beginning merchants--free of charge. Valuable advice, gleaned from years of dealing with business problems, can be had for the asking.	*Explain to your students that they may also look elsewhere for such help, perhaps at the local bank. Just talking about a problem with someone else often helps in finding the best solution.*

COURSE CONTENT	TEACHING SUGGESTIONS

TYPES OF AID AVAILABLE

Any good small businessman will tell you that the best help you can get is professional help--lawyer, accountant, marketing and management men, and so on.

Sometimes the obvious is the thing a man never thinks about.

But let's say your only available alternative is nonprofessional sources. Consider some of them:

You must channel the businessman's thinking from the most obvious sources to the most recondite. Later in this lesson we will be discussing other sources of aid, away from home and business. But at first, stress the ones nearest to him--so that he may not say, as an excuse, that he has no time. As in all teaching, you must lead your pupil from the very easy, to the very complex. Build your foundation first and then go forward in easy steps.

YOUR BANKER

Go in and ask him for advice. Sometimes he can lend you money, or he can show you how, by a judicious use of your resources, you can help yourself.

YOUR WIFE

Many a man hesitates to discuss his business problems with his wife, because he feels that she will look down on him. This is a mistake. A wife has an intuitive knowledge of the strengths and weaknesses of her husband and very often she has a very good idea of what he is doing right and what he is doing wrong. You may be agreeably surprised by the wise suggestions of a wife.

SALESMEN

Every business has salesmen calling on it. These salesmen observe your business and compare it with your competitor's. They have come to some conclusions about why your competitor does better than you do. But it is up to you to draw them out and have them tell you honestly what they think is wrong and how it can be improved.

On the one hand, your small businessman hesitates to solicit professional advice. On the other, he hesitates to reveal his difficulties to his family or to salesmen who call on him.

A solution, outside of professional help, is to tell your students that "pride goeth before a fall" and it might be wiser to let someone else see your problem, so you in turn can see it through his eyes.

Tact and persuasion will be necessary in this situation.

YOUR FAMILY

Of course it is up to you to distinguish between good and bad advice. But very often you may have a brother who is an accountant, or a brother-in-law who is in a related business, or a cousin who is a lawyer. Or you might ask an older brother what he thinks of your business

procedure. Of course, you will hesitate to involve your family in certain aspects of your business. But you must balance that against the fact that every outside opinion you solicit might throw light on a business situation that is troubling you.

OTHER BUSINESSMEN

You may meet other businessmen at social gatherings, at church, at fraternal societies, casually while taking a walk, or in any number of ways. In talking with them, you may learn things that will prove invaluable to you.

Here is one area you won't have any trouble with. Businessmen like to talk shop, and you won't have to prod them to seek each other out and discuss mutual problems. A smart man can learn a lot by just listening.

It often pays to ask an older, more experienced man a direct question about some aspect of your business. He will be flattered that you have done so and he will gladly help you. After all, all businesses are basically alike--and you will find that problems that you think are exclusively yours, have been met and solved by many other people.

CUSTOMERS

Many firms solicit their customers by mail, asking for criticism. The answers can be a revelation. Sometimes a businessman is not even aware that certain things he does are costing him business and good will. So don't pooh-pooh your customer complaints. Listen to them carefully. By acting constructively on their comments, you can create a more profitable business.

This one takes real character. And yet those of us who are in business know that our customers are our real bosses. If you can teach the little man that he must hear what his customers dislike about his operation before the parade gets too far away from him, you will be teaching him a lot.

EMPLOYEES

It is a cliche to say that every private knows how to run the army better than the general. It is also true that the owner of a small business is constantly criticized by his employees. However, it is up to the employer to differentiate between sense and nonsense criticism.

You may not get very far asking a small businessman to heed the advice of his employees, if he has any. He considers himself superior to his employees and he will not demean himself by asking their advice. There's not too much you can do about it, except to tell him that the top tycoons in industry, and the

During World War II, bonuses were given to employees for money-saving suggestions.

What amazed observers was the excellent quality of the suggestions and the grasp of "inside" knowledge, even among those of the lowest rank. If you can solicit suggestions and give some reward that makes sense (a day off) for good, profit-making ideas, do not hesitate to do so.

best generals in the army, often listen to the comments of the people in the lowest ranks. If they are big enough to do it, perhaps your little businessman might take heed.

FEDERAL AND STATE AGENCIES

The Small Business Administration publishes pertinent information for the businessman. It is easily available and can be acquired by writing your local S.B.A. office, which is listed under U.S. Government in your telephone directory.

It has been the experience of most of us who have taught this course, that the student must be told to take out his paper and pencil and write down the addresses mentioned here. Come to class prepared with all the addresses you need. Furthermore, put a letter on the board, and have them copy it, in which they ask for information from Government agencies. Don't be surprised that for most people, writing is difficult.

In New York State we have a special State agency devoted to the interests of all businessmen, large and small. It is called the New York State Department of Commerce and is at 112 State Street, Albany, N.Y., 12207. This department publishes a very fine booklet called "Your Business," which you can obtain by writing and asking for a copy. Branch offices of the Department exist throughout the State, some, perhaps, close to your place of business. By looking in your local telephone directory under New York State Government, and by visiting or writing that local office, or the Albany office, you can get a great deal of free assistance for your business.

How can you motivate the small businessman to avail himself of the free Government aid?

First, tell him it's free. Then explain that as a taxpayer, he owes it to himself to go out and get this material. If that doesn't work, bring some material into class yourself and pass it around.

EDUCATIONAL INSTITUTIONS

For those who are already in this class, there is no need to emphasize this point. But for those who do not know about it, there are hundreds of Adult Education courses being given in high schools, colleges, and various other schools that come under New York State supervision. These are available at a minimal charge and are given in the evening, when the small businessman has a few hours of leisure to spend improving his business skills.

It is the unusual small businessman who goes to school. Most are either afraid of school, or else they associate it with the time they were kids and found school boring. That is why it is up to you, the teacher, to try every method you can think of to make school interesting.

COURSE CONTENT	TEACHING SUGGESTIONS
	And above all stress that this is not pure learning for learning's sake. THIS IS LEARNING FOR MONEY'S SAKE!
TRADE ASSOCIATIONS AND PAPERS	*As a teacher of small businessmen, you must keep your sights level with theirs. It is not easy for a small man to keep abreast of the news in his field. He has had no professional training, and probably doesn't value research.*
Your trade association probably has a great deal of information you can use. How do you get it? Very simple. Write and ask for it. If you have any questions as to what your trade association is, write the editor of the trade paper you read.	
If you do not read a trade paper, subscribe to one. If you are in the ladies' and children's apparel business, try *Women's Wear Daily*, published by Fairchild Publications at 13 East 12th Street, New York, N.Y.	*Remember, it is up to you to motivate your students. It may be necessary to encourage a non-reader to do his homework and learn about the latest developments in his field. Compile a list of trade publications by consulting the Reader's Guide to Periodical Literature at your local library. Bring sample copies of several trade publications to class with you.*
If you are in the hard goods business, try *Homefurnishings*, also published by Fairchild.	
If you are in the men's wear business, try *Menswear*, another Fairchild publication.	
If you are in the variety store business, try *Chain Store Age*, 400 Madison Avenue, New York, N.Y.	
Whatever business you're in, there is a trade paper for it. Ask your suppliers, or the salesmen who call on you, about it.	
LIBRARIES	*Small businessmen* need *to use their local libraries. Give the problem a professional status: every lawyer has his law library, every doctor has his collection of medical books, and so on. The small businessman has* his *professional library, too, and it's maintained and kept up-to-date by specialists.*
The earliest-known library was a collection of clay tablets in Babylonia more than 3,000 years ago. We are uncertain whether it was open to the public, but today all libraries are. They are a treasure trove of information for the businessman out to make a dollar. Well-trained librarians are always on hand to make suggestions and help you find exactly what you need. And best of all, libraries are free!	

For example, your library probably has the Encyclopedia Americana, the Encyclopedia Britannica, the World Almanac, the Information Please Almanac, the Business Periodicals Index, the New York Times Index, the Wall Street Journal Index.

If you don't know how to use the indexes, don't be ashamed. Most people don't. However, librarians are generally very obliging. Just tell them what business you're in, and they'll gladly help you find what you're looking for.

GOVERNMENT PUBLICATIONS

Did you know that the U.S. Government is very big in the publishing business? It publishes almost every kind of booklet you can think of. The prices are low--from a dime to a few dollars. But the information they contain is priceless. Here are just a few to get you started:

Management Aids for Small Business
U.S. Small Business Administration
(Issued annually)

Marketing Information Guide
U.S. Department of Commerce
(Issued monthly)

Monthly Catalog of U.S. Government Publications
(Issued monthly)

U.S. Department of Commerce Publications; A Catalog and Index
(Issued annually)

(You will find many of these in your library. Also all of them are available from:
Supt. of Documents
U.S. Government Printing Office
Washington, D.C. 20402.)

If you are interested in anything--from business statistics, to census figures, to how to raise minks, to how to institute good bookkeeping procedures for your business--you will find it in a Government publication.

Many a sophisticated person is ignorant of the wealth of information available in Government publications. Bring in a few Government publications and show them to your students. Tell them knowledge is power, then teach them to go to the source.

As their teacher, your function is to indicate where your students can find the information they need. Emphasize the proper sources. But more important, stress the MONEY MAKING VALUE *of finding and using the proper information.*

It seems inconceivable in an age like ours, where there is so much material available for the average businessman, that there are still people who are either unaware of its availability or who do not wish to use it--who do not want to take the time and energy to read and learn.

That makes your job as a teacher a very challenging one.

COURSE CONTENT

WHO? WHAT? WHERE?

Every businessman, at one time or another, has to find out names and addresses of certain suppliers and companies. Certainly a small businessman needs to know where to look for assistance and information. Listed here are some of the basic source books. You can find most of these in any good public library. For any you don't find there, you may be able to use the library of one of the bigger business firms in your area.

1. Thomas Register of American Manufacturers
   (Issued annually)

2. New York State Industrial Directory
   (Issued annually by New York State Industrial Directory, 2 Penna. Plaza, New York, N.Y. 10001.)

3. Conover-Mast Purchasing Directory
   (Published twice a year, spring and fall, by the Herman Publishing Service, Boston, Mass.)

4. Encyclopedia of Associations
   (The current edition is the 5th, published in 1968, and consists of three volumes. It is edited by Frederick G. Ruffner and published by Gale Research Co., Detroit, Michigan.)

TEACHING SUGGESTIONS

If you can strike a spark and make them see the value of new knowledge, you will be opening a vast and profitable new world to them.

We suggest two approaches:

FIRST: *Tell them how professional it is to dig out the information they need to get ahead. Appeal to their pride.*

SECOND: *Equate it in their minds this way:*
KNOWLEDGE *equals* POWER
POWER *equals* SUCCESS
SUCCESS *equals* MONEY

Basically, a small businessman wants what everyone else wants: money and security. Give him the key to open the doors to them.

SUMMARY

SOURCES OF ASSISTANCE AND INFORMATION

1. Since you need expert assistance in your business, you have two choices: either pay for professional help or seek it where the cost is either very low, or nonexistent.

2. Some assistance you must have. An accountant and a lawyer are very hard to do without, no matter how small your business.

3. But in other cases, your banker, your family, your employees, the salesmen who call on you--all these can give you an objective analysis of some of your problems, and can be of immeasurable help.

4. First ascertain the areas in which you need help, and then find the person who can help you most. Taxes require an accountant; sales require a marketing and advertising person; financing requires a banker; setting up a store physically requires the help of the manufacturers who sell store equipment, and so on. For every need you have, there is a doctor. Find him.

5. Write your trade association for pertinent, day-to-day material. If you do not subscribe to a trade paper, do so at once. The cost is nominal and you will recover it many times.

6. Your New York State Department of Commerce has much good material. Contact one of its offices in New York, Albany, Syracuse or Buffalo.

7. Write you Congressman or Senator. If you don't know their names, call your newspaper. Remember your legislator is a public servant. He has a staff to help him answer your requests.

8. Become professional; go to the nearest public library and you will find a gold mine of material. The librarians will be glad to help you find any material you might need. This is an *EXCELLENT SOURCE*, one you must not neglect.

9. In this lesson there is a large list of books you will find helpful. Most of them you will find in your public library.

10. *FINALLY, BE A PROFESSIONAL BUSINESSMAN.* Use all the tools you can to make money. That's what you are in business for. Good luck!

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Coman, Edwin T., Jr. Sources of business information; 2nd ed. Berkeley, Calif. University of California Press. 1964.

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Lasser, Jacob K. Standard handbook for accountants. New York. McGraw-Hill. 1956.

Ruder, William & Nathan, Raymond. Businessman's guide to Washington. Englewood Cliffs, N.J. Prentice-Hall. 1964.

Also see page 96, *Other Teaching Materials*.

OTHER TEACHING MATERIALS

New York State Department of Commerce. Your business: a handbook of management aids for the New York businessman. The Department. Albany, New York. 1968.

U. S. Small Business Administration publishes some management aid booklets and films. The lists cited below can be obtained from the SBA which has offices in New York, Buffalo, Syracuse, and Albany. Further information on the films can also be obtained from those offices.

BOOKLETS

U. S. Small Business Administration. Free management assistance publications currently available. The Administration. Issued in March and October each year. Free. (SBA 115A) Note: This booklet gives titles of about 500 free publications.

____ For Sale Booklets. Issued in March and October each year. Free. (SBA 115B) Note: This booklet lists the titles of about 75 books and booklets selling at 15 cents to one dollar.

FILMS

SBA has more than 25 films on management training and crime prevention available for free use. They are black and white; each one runs for $28\frac{1}{2}$ minutes.

This booklet is published primarily for use in the schools of New York State. Free copies are available to New York State school personnel when ordered through a school administrator from the Publications Distribution Unit, State Education Building, Albany, New York 12224.

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